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## *Research Report: December 8, 2017*

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## Stop Congress From Passing the Tax Scam Bill

**Summary:** The Republicans from the House and Senate are negotiating a combined tax bill based on the respective tax bills passed by each chamber. Once a final bill is agreed upon, the combined tax bill returns to each chamber for another vote. As expected, the negotiations over what will be in the combined tax bill gives lobbyists and the rich one more opportunity to advocate for their preferred changes. The Republicans have set a December 22, 2017 deadline for production of a combined bill.

### Talking Points:

\* Senate Republicans passed their tax bill past midnight on December 1 by a vote of 51-49. No Democrats voted for the bill. Of Republicans, only Bob Corker voted against it.

1<sup>st</sup>. \*The text of the bill was provided to Republicans and some lobbyists late on December 1. Democrats had to get a copy of the bill from lobbyists.

\*The bill was still changing as of nearly midnight on December 1, as some provisions were ruled out of order in a reconciliation bill by the Senate parliamentarian and further changes needed to be made to satisfy key members and make the balance of tax changes and deficit increases meet the requirements for reconciliation. The bill was finally posted online very late in the night on December 1.

\*Despite the irregular and hurried nature of the bill's 'consideration,' Senator McCain voted for the bill even though he voted against the TrumpCare legislation because of the hurried and irregular consideration of that bill.

\*Securing the final few Senate votes forced Republican leaders to add over \$250 billion in tax cuts for individuals and businesses to their plan. To offset some of these costs, they had to abandon efforts to fully repeal the alternative minimum tax (AMT) for individuals and companies. Instead of fully repealing the tax, they scaled it back. The AMT was put in place in the 1980s to prevent wealthier Americans from using tax deductions to avoid paying taxes.

### *Other last minutes provisions of the bill:*

**Oil and gas drillers got low pass-through business rates.**

**Overseas profit repatriation reduced but remains low:** A provision to give multinational companies a tax break on the profits they have accumulated in offshore tax havens was made less generous than earlier versions of the proposal.

**Bank offshore subsidiary payments and derivatives payments:** Banks and other financial institutions will still be able to avoid taxes by making payments to offshore subsidiaries.

**Car dealerships:** The federal tax code includes limits on how much interest companies can deduct from their taxes. But the bill now excludes from those restrictions interest paid by car dealerships.

**Bonus depreciation:** The bill extends bonus depreciation (the ability to take big deductions related to certain corporate investments) at a cost of \$34 billion, but pays for it by reinstating the corporate alternative minimum tax.

**Research and development credit:** It appeared unintentional that the benefit of the tax credit for research and experimentation could be lost.

**Paid family & medical leave credit not covered in states where paid leave required.**

**Tightened deductions for lower- and middle-income wage earners.**

**Child tax credit extended to 17-year-olds, but only temporarily:** The bill expands the child tax credit by a year to 17-year-olds but that change ends at the end of 2024, a year before other individual tax cuts are scheduled to expire.

\*The CBO determined that the Senate tax bill will add \$1 trillion to the deficit. The bill would raise the gross domestic product (GDP) by a yearly average of 0.8% during the next decade, but the federal revenue generated by that growth would only offset a fraction of the plan's cost, according to the analysis. The committee said that economic growth from the tax cut will offset about \$400 billion of the \$1.5 trillion cost of the bill over the next ten years.

\* Republican leaders are considering changing the corporate tax cut in the tax bill to 22% rather than 20% (from the current 35%). That is to get additional funds to accommodate the changes needed to get the votes needed for final passage.

\*In another and expected disgusting move, Republicans are disingenuously suggesting that social welfare programs such as welfare, Medicare, and Social Security need to be cut because of the high deficit (caused by the potential passage of the tax bill).

**Chart comparing Senate and House tax bill provisions:** Vox published a useful chart showing the major differences between the House and Senate tax bills compared to current law: <https://www.vox.com/2017/12/4/16734556/house-senate-tax-bill-differences-comparison-chart-table>. SEE ALSO the end of this document for Steve Hodes' list of main issues dividing the two chambers' versions of the tax bill. See also this helpful description of the issues dividing the two bills: <http://knowledge.wharton.upenn.edu/article/tax-bill-reconciliation-what-are-the-likely-outcomes/>

### **Our MoCs:**

All of our MoCs are against the give-away to the rich and corporations. All voted against their chamber's respective tax bill.

### **To Do:**

1. Call our MoCs to ask them to speak publicly against both versions of the tax bill, and to call on Congress to develop a fair and progressive tax bill that protects the poor and middle class. Further, demand that they speak publicly by pledging they will oppose the Republicans' cynical plan to cut necessary and critical programs such as welfare, Medicare, Medicaid, and Social Security.
2. Call Rep. Dave Reichert and Rep. Jaime Herrera Beutler to urge them to oppose any final bill that will give to the rich and cost the middle and lower economic classes. Script: "I urge you to oppose the tax plan in your final vote. It is heavily focused on tax cuts to the

rich and to the largest corporations. It will lead to automatic cuts to Medicare starting next year and possibly to larger cuts to Medicare, Medicaid, food stamps and other key programs. While there are some tax cuts for the middle class, they won't last long, while cuts for the rich and corporations are permanent.”

## Protect NET Neutrality

**Summary:** On December 14, 2017, the FCC will decide whether to reverse the current net neutrality rules. These rules provide an open and neutral internet that provides a fair and level playing field for all users of the internet.

### **Talking Points:**

\*Rules adopted by the FCC under Title II of the federal Communication Act prevents telecom companies such as Time Warner, Comcast, AT&T, Cox, and others, from discriminating against various types of web traffic.

\*This discrimination takes the form of speeding up, slowing down, or blocking any content by an internet service provider (ISP) whenever it suits that ISP's business needs.

\*This net neutrality was achieved after a decade-long battle over the right to a fair and open internet based on users' demands that all data be treated equally.

\*Now, however, FCC Chair Ajit Pai, a former Verizon lawyer, wants to change the rules to replace the strong protection rules with so-called voluntary conditions that no ISP would comply with.

\*If Chair Pai's plan is adopted, any ISP could slow down its competitors' content, or block political opinions it disagrees with, with impunity. Any ISP could also charge additional fees to companies who could afford preferential treatment.

\*On the flip side, if communities did not have the money to pay ISP, their internet voices will be eliminated or drowned out. This is a particular problem with marginalized communities' media outlets.

### **To Do:**

Click on: <https://www.fcc.gov/ecfs/browse-popular-proceedings>

Then click on "Express Reply" on proceeding 17-108.

Comment something to the effect: "I support Title Two net neutrality rules and I oppose the FCC's plan to repeal them. I'm urging FCC Chairman to abandon his current plan."

## **Protect the DREAMers (From the national Indivisible group)**

**Summary:** In September Trump eliminated the DACA (Deferred Action for Childhood Arrivals) program. This program protected approximately 800,000 Dreamers. Now nearly 1000 Dreamers lose their protections every week.

### **Talking Points:**

\*Congress has an opportunity to pass the DREAM Act, which would provide relief to these children by including in the government spending bill a provision that protects them. The spending bill must be passed by December 22, 2017. Known as the continuing resolution (CR), the spending bill is a must-pass spending bill and both parties need to work together to get it passed. This means that Democrats have leverage.

\*There is bi-partisan support in Congress for the Dreamers. 75% of Republicans and 66% of Trump supporters support letting DREAMers stay, so there is massive public support for it. We just need to get it onto the floor for a vote, and the CR is the only option left this year. Its popularity will add pressure on Republicans to get it done, if Democrats force the issue.

\* Republicans typically struggle to get the necessary votes for spending bills and will need Democrats to get it through this time. The Freedom Caucus, the most conservative branch of the Republican caucus in the House, is already threatening to vote against the CR, giving Dems more leverage.

### **To Do:**

1. Ask our MoCs for their pledge to support the DREAM Act.
2. Ask our MoCs to refuse to help Republicans pass a spending bill unless it contains the DREAM Act.
3. Script: “I support the DREAM Act and so should you. Please tell the Republicans in your chamber: ‘No DREAM Act, no CR.’”

## Protect Our National Monuments

**Summary:** Trump issued an order shrinking two Utah National Monuments: Bears Ears and Grand Staircase-Escalante. Bears Ears was established by President Obama and includes key religious sites important to Native American tribes. Trump reduced it by 85% (1.1 million acres). Grand Staircase-Escalante was established by President Clinton. It would be shrunk by 46% (800,000 acres). This would allow both areas to be opened up to gas and oil drilling and to motorized vehicle use.

### Talking Points:

\*Despite over 2.7 million comments on the proposed axing of these monuments, where the comments were overwhelmingly in favor of maintain the current acreage, Trump deferred to gas and oil interests.

\*Earthjustice immediately filed a lawsuit on behalf of eight organizations in which the plaintiffs charged that Trump's actions toward Grand Staircase-Escalante violated the 1906 Antiquities Act by stripping monument protections. The Antiquities Act allows the establishment of national monuments but does not speak to the disestablishment of monuments.

\*Another coalition of conservation groups is suing to stop Trump's cuts to Bears Ears National Monument.

\*There are now at least 5 lawsuits challenging Trump's cuts to Bears Ears and Grand Staircase-Escalante National Monuments.

\*Zinke recommends shrinking more monuments and changing how some are regulated.

### Our MoCs:

Senator Cantwell has been particularly vocal in the encroachment on our national lands. Please call and thank her for her efforts. Ask all three of our MoCs to stop any further encroachment of our national lands and to restore the lands taken by Trump in Bears Ears and in the Grand Staircase-Escalante National Monument.

## **STEVE HODES: Main Issues dividing House and Senate tax bills:**

**Tax rates:** House bill establishes four rates (12%, 25%, 35% 39.6%), Senate has seven rates (10%, 12%, 22%, 34%, 32%, 35%, 39.6%) but applying to different taxpayers than current law and these sunset after 2025.

**Alternative minimum tax:** House repeals for individual and corporate income tax. Senate retains corporate tax but retains individual tax with higher exemption amount and phase-out thresholds. Changes sunset after 2025.

**Standard deduction:** Both bills double them. House is indexed for inflation. Senate sunsets after 2025.

**Personal/dependent deductions:** House bill repeals them. Senate does too but sunsets after 2025.

**Child tax credits:** \$1600 credit per child under 17; additional credit for taxpayer, spouse and dependents which expires after 2022. Senate is \$2,000 per child under 18, \$500 for other dependents and sunsets after 2025. Lots of other detailed differences.

**Higher education:** House bill repeals tuition and fees and student loan interest deduction as well as lifetime learning credit. Senate leaves these unchanged.

**ACA individual health insurance mandate:** House leaves unchanged. Senate eliminates the mandate.

**State and local tax deduction:** Both houses eliminate deductibility of most state and local taxes, only allow deduction of real estate taxes up to \$10,000. Senate real estate deduction sunsets after 2025.

**Mortgage interest deduction:** House limits deduction to debt up to \$500,000 and only on principal residence. Senate limits to interest up to \$1 million. Sunsets after 2025.

**Medical expenses:** House repeals ability to deduct out-of-pocket medical expenses. Senate limits deduction to expenses over 7.5% of adjusted gross income, but only for 2017 and 2018. Reverts to current law in 2019.

**Pass-through business rate:** In the House, 25% for passive net income, 35.22% for active net income, 39.6% for personal service income. Senate is 29.6% with higher rate for business after 23% deduction, and 38.5% for personal service income. Deduction limited to \$250,000 single and \$500,000 joint. Sunsets after 2025. Note that individuals can have multiple pass through businesses. Trump has 500.

**Corporate rates:** House is 20% as is Senate, but Senate delays the change until 2019.

**New investment purchases:** House is 100% bonus depreciation (down from 40%). Senate includes 100% but phases down by 20% a year starting in 2023.



## CONTACT INFORMATION

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