



EIGHT WAYS THE TRUMP-GOP TAX CUTS HAVE FAILED WORKERS & THE ECONOMY

On Their Second Anniversary, December 2019

The Trump-GOP tax law, formally known as the Tax Cuts and Jobs Act (TCJA), was signed into law December 2017 and took effect January 2018. Nine failures of the law stand out, which are also explained in this [Chartbook: Trump-GOP Tax Cuts Failing Workers & The Economy](#).

#1: President Trump promised “[the benefits of tax reform \(would\) go to the middle class](#), not to the highest earners,” but the wealthy and corporations are benefiting the most.

- 60 giant corporations—Amazon, Netflix, General Motors, and more—[paid no federal income taxes](#) in 2018. They actually got rebates totaling \$4.3 billion.
- The richest 1% of taxpayers will get an [average tax cut of \\$50,000](#) in 2020. That’s 75 times more than the tax cut for the bottom 80%, which will average just \$645.
- The richest 1% will receive a total of [\\$78 billion in tax cuts](#) in 2020. That’s about equal to the total tax cut that will go to the bottom 80%.
- A big reason benefits are tilted to the top is the law slashed the U.S. corporate tax rate on domestic profits from 35% to 21% and on foreign profits to about 10%. Wealthy people [own the great bulk of corporate stock](#).
- Benefits also flow [more to white Americans than to people of color](#). In 2020, whites will make up 67% of taxpayers but get almost 80% of the tax cuts. African Americans will make up 10% of taxpayers but get only 5% of the cuts. Latinx taxpayers will get just 7% of the cuts despite representing 12% of those filing.

#2: President Trump promised “[the rich will not be gaining at all with this plan](#)” and specifically claimed it would “[cost me a fortune](#).”

- Trump and his family will [benefit by millions of dollars or more](#) thanks to at least five features of the law: lower top income tax rates; the deep corporate tax cuts; a weakened estate tax; a tax break mostly benefitting wealthy business owners like Trump (see below); and real-estate loopholes the law opened.
- The TCJA doubled the size of fortunes exempt from the estate tax, in 2020 to more than [\\$11.5 million per person and \\$23 million](#) per couple. [Fewer than one in a thousand](#) estates now pay the tax, or [only 1,900 families a year](#).

#3: President Trump forecast that thanks to corporate tax cuts, “the typical American household” would receive “[around a \\$4,000 pay raise](#).” His chief economic counselor said the raise could be as [high as \\$9,000](#), and that wage gains from the tax law would be “[immediate](#).”

- Median family income grew by [just \\$514 in 2018](#) after enactment of the tax law—much slower growth than occurred in each of the last three years under President Obama.
- The increase in the yearly wage growth rate is up just 0.3% over the roughly two years since the Trump-GOP tax law was enacted. The wage growth rate under Obama’s last two years accelerated by 0.7%.

#4: President Trump's Treasury Secretary said "small and medium-sized businesses"—the 98% of non-corporate firms with earnings under \$500,000—would [get "substantial" tax cuts](#) under a provision of the law touted as a small-business tax cut.

- Almost [half the benefits](#) of this supposed "small" business tax cut are going to the tiny sliver of businesses with over \$1 million in annual income. Less than a quarter is going to firms with income of \$200,000 or less.
- This tax break pertains to "pass-throughs," which are unincorporated businesses ranging from corner groceries to big law firms. They don't pay corporate income taxes. Instead, profits pass through to the owners who pay any tax due on their personal returns at individual rates. The TCJA allows (with many complex exceptions) owners of pass-throughs to exclude 20% of their business income from taxation. While most businesses are pass-throughs, [60% of this tax break](#) will go to the richest 1% of taxpayers by 2024.

#5: Boosted by what he described as "[rocket fuel](#)" from the tax law, Trump promised the economy would [grow at a rate of up to 6%](#), more than double the recent rate.

- Economic growth (GDP) since the tax law was enacted has been in line with the Obama years. [Growth hasn't hit 3% under Trump](#), and growth during the first three quarters of 2019 is averaging 2.4%. The [Federal Reserve](#) predicts growth of 2.2% for the full year.

#6: Republicans claimed the tax cuts [would pay for themselves](#) through greater economic growth raising more revenue at lower rates.

- The total [cost of the tax cuts is estimated at \\$1.9 trillion](#), according to the Congressional Budget Office, which will be added to the national debt. Conservatives claimed the law's lower tax rates would raise a lot more revenue through greater economic activity. But largely due to the tax cuts (especially for corporations), the deficit has exploded [reaching nearly \\$1 trillion in 2019](#), up more than 70% from the \$585 billion during Obama's last year in office.

#7: President Trump claimed the tax law was primarily a "[bill for jobs](#)."

- Job growth since the tax cuts were enacted two years ago is generally in line with the trend over the previous seven years after the Great Recession ended. Monthly [job growth has averaged 195,000](#) over the last two years, whereas job growth in the last two years of the Obama Administration averaged 210,000 a month.

#8: President Trump's top economic adviser said he "would expect [capital spending to really take off](#) if the tax bill passes."

- After just one-quarter of modest growth in 2018, [capital investment has declined](#) overall since then, falling into negative territory in the second and third quarters of 2019.
- Corporations have instead used their tax savings for stock buybacks, which primarily benefit executives and other wealthy shareholders. Corporations [bought back a record \\$800 billion-plus](#) of their own shares in 2018, an increase of more than 50% over the [\\$519 billion in stock buybacks in 2017](#).

#9: More voters continue to [oppose the Trump-GOP tax cuts than support them](#).

- Moreover, only 17% said their taxes decreased in 2018 compared to 2017, 33% said their taxes increased while 31% said their taxes stayed the same.
- Most voters want to *repeal the 2017 tax cuts for corporations and the wealthy*.