



COALITION ON HUMAN NEEDS

The Human Needs Report

November 13, 2017

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House Tax Cut Bill Heads Towards Floor Vote; Senate Releases Its Version

The House Ways and Means Committee completed its markup of H.R. 1, the Tax Cuts and Jobs Act, and passed the bill (24-16 along party lines) on Nov. 9. The full House is expected to vote on the bill the week of Nov. 13. The bill would provide trillions of dollars in tax cuts, overwhelmingly to the wealthy and corporations, and would add \$1.4 trillion to the U.S. debt over the next decade. An analysis of the House bill by the [Institute on Taxation and Economic Policy](#) (ITEP) found that not only would the wealthiest 1 percent receive the greatest share of the total tax cut in its first year (31 percent, for an average tax cut of \$48,580 in 2018), but that their share would actually grow over time, reaching 48 percent by 2027

(for an average tax cut of \$64,720 per person). Tax cuts for those at the middle and lowest end of the income scale would be significantly lower (an average cut of a little more than \$14.40 a week and \$2.50 a week, respectively, in 2018), and these would drop over time. The bill makes harmful changes to the Child Tax Credit to exclude immigrant families, harming 1 million immigrant children; see the related article in

	House Bill Cost/Savings (10 years)	Senate Bill Cost/Savings (10 years)
Individual Income Tax Cuts	-\$3.36 T	-\$3.5T
Business Tax Cuts	-\$2.4T	-\$2.34T
Estate Tax Cut/Repeal	-\$151B	-\$94B
Total Tax Cuts	\$5.9T	-\$5.9T
Individual Income Tax Increases	\$3.2T	\$3.07T
Business Tax Increases	\$1.35T	-\$1.44T
Total Tax Increases	\$4.5T	\$4.5T
Net Unpaid-For Tax Cuts	-\$1.4T	-\$1.5T
<small>Calculated from analysis by Committee for a Responsible Federal Budget</small>		

this *Human Needs Report* for more information. A few changes were made to the bill during committee action, including a provision that would make it more difficult for small business owners or those who are otherwise self-employed to claim the Earned Income Tax Credit and increase their chances of being audited for tax deductions they did *not* claim. The bill also originally called for a repeal of the adoption tax credit, but this provision was removed. For more information on the House tax cut bill, see the [Nov. 3 edition of the Human Needs Report](#) and [CHN's blog](#).

The Senate Finance Committee released its vision for tax cuts on Nov. 9 as well. While certain provisions differ from the House bill (more on this below), the Senate version is similar to the House bill in that it gives trillions of dollars in tax cuts, disproportionately to the wealthy and big corporations, and adds nearly \$1.5 trillion in debt over 10 years. While there are some tax cuts for middle class families, some will actually see increases, similar to the House bill.

Timing: The Senate Finance Committee is expected to take up the bill beginning the week of Nov. 13. The full Senate is expected to vote on it the week of Nov. 27, after the congressional week-long Thanksgiving break. Because the Senate is using a special process known as reconciliation to move this bill, as provided in the budget resolution, only a simple majority is needed to pass the Senate rather than the usual 60-vote threshold. If tax cut bills pass in both chambers, they must work out the differences between the two. House and Senate leaders aim to have a bill on President Trump's desk before Christmas. However, as many parts of the bill are controversial, the schedule could slip or stall.

Impact on Individuals: The congressional Joint Committee on Taxation has released estimates of the cost and total revenue changes by income groups for the Senate plan, but other analyses with more detail about gains or losses are not yet done. Here is what is known so far:

Tax Rates: The Senate plan keeps seven tax brackets, similar to current law, but with cuts in most of the rates. The top rate, currently 39.6 percent, would drop to 38.5 percent, and the bottom income level for this bracket would rise from \$470,700 for joint filers to \$1 million. This would be favorable to those with high incomes, since more of their income will now be taxed at a lower rate. The lowest tax bracket would stay at 10 percent. This structure is different from the House bill, which consolidated the brackets

to just four (raising the lowest bracket's tax rate to 12 percent and keeping the rate for the highest bracket at 39.6 percent).

Deductions/Exemptions: Similar to the House bill, the Senate plan roughly doubles the standard deduction, to \$12,000 for single individuals and \$24,000 for married couples.

Child Tax Credit/Earned Income Tax Credit/American Opportunity Tax Credit: The Senate plan increases the Child Tax Credit from \$1,000 per child to \$1,650 (vs. \$1,600 in the House bill). The credit will be available for children under age 18 (current law provides the CTC for children under 17). Families with incomes of up to \$500,000 will be able to qualify for the full Child Tax Credit, with a reduced credit available until it phases out at \$1 million for 2-parent families (vs \$230,000 in the House plan). The threshold for the refundable part of the Child Tax Credit would drop to \$2,500 in earned income, from \$3,000. The Senate bill would create a new non-refundable \$500 credit per non-child dependent. The Child Tax Credit is changed to deny the benefit to about 1 million children in immigrant families, by requiring all children claiming the credit to have Social Security numbers. Most children in immigrant families are citizens, but about 1 million are "Dreamers," brought here at a young age. The Dreamers would lose the CTC under this proposal. Under current law, immigrant parents who pay taxes through the use of an Individual Taxpayer Identification Number (ITIN) can receive the CTC for their children.

Repeal of Other Tax Credits and Deductions: The Senate plan retains a credit for families that adopt a child (the House initially proposed to terminate the credit, but restored it before the tax bill was approved in committee). It also retains deductions that would have been eliminated in the House bill, such as deductions for medical expenses, student loan interest, and teacher expenses. The mortgage interest deduction, which is reduced in the House bill, is retained in the Senate bill.

State and Local Tax Deduction: The deductions for all state and local taxes, including income, sales, and property taxes are eliminated. In the House bill, taxpayers may still deduct their property taxes up to a total of \$10,000. There has been strong opposition to these changes for their effect on states with higher state and local taxes, both because of the tax increase that families will experience and the losses in revenue anticipated in states and local communities that will affect schools, public safety, and transportation, and many other services.

Alternative Minimum Tax: Similar to the House bill, the Senate plan would repeal the Alternative Minimum Tax. This has been in place to ensure that high-income individuals cannot utilize deductions sufficient to wipe out all their tax obligations. In the one tax return made public by President Trump, he paid \$31 million because of the Alternative Minimum Tax. Eliminating it provides a tax break of \$695.5 billion to upper-income individuals.

Estate Tax: Under current law, estates from individuals are exempt from the tax if they are worth less than \$5.5m (or \$11.2 million for couples). The exemptions would double under both the House and Senate bill; The Senate bill would not eliminate the estate tax, as the House bill would do in 2024. The estate tax change would leave less than 2,000 estates nationwide subject to the tax.

Corporate/Business Taxes: Corporate tax rates would decline from a maximum 35 percent to 20 percent beginning in 2019 (vs. 2018 in the House bill, a tax break for corporations of nearly \$1.5 trillion). The Senate plan would create a 17.4 percent deduction for unincorporated businesses (such as partnerships) that pay taxes through the individual income tax, meaning the top tax rate for such “pass-through” income would be 31.8 percent rather than 38.5 percent for the first \$150,000 of such income. The Trump Organization is said to include about 500 such “pass-through” businesses in Donald Trump’s individual tax returns. There would also be favorable treatment of businesses sheltering income in overseas tax havens. In order to gain short-term revenue, companies with foreign income would have to pay a one-time 10 percent tax, which would bring in \$190 billion (far less than the \$750 billion such companies actually owe on their offshore holdings). The Work Opportunity Tax Credit (a tax break for employers who hire low-income workers, worth \$3.6 billion), and the New Market Tax Credit, which incentivizes investment in distressed communities, are retained in the Senate bill; both are repealed in the House plan. A credit for clinical testing expenses for drugs for rare diseases (worth \$54 billion) that is eliminated in the House bill is reduced but not eliminated in the Senate bill.

Non-profit Organizations: There are no changes in the Senate bill to the Johnson Amendment, which currently prohibits churches and non-profits that are tax-exempt under IRS rules from supporting or opposing candidates for public office. The House bill would significantly weaken the Johnson Amendment, opening the door to churches engaging in electoral activity. Many non-profits oppose this change, believing it will lead to a lessening of trust in these institutions and ultimately reduce their support. In addition, although the charitable deduction is retained, fewer taxpayers will itemize because of the increase in the standard deduction. Non-profits worry that this will reduce the number of donations. One estimate is that taxpayers with incomes below \$280,000 will not find it advantageous to itemize, and therefore will not have the tax incentive to make charitable contributions.

Affordable Care Act individual mandate repeal: The White House and some conservatives are pushing for the tax cut bill to also repeal the individual mandate of the Affordable Care Act, which requires that all individuals obtain health insurance or pay a penalty. While neither the House nor Senate bill contain this provision, it could potentially be added as an amendment on the Senate floor or when the two chambers work out a compromise bill.

The Upshot: Similar to the House bill, the wealthy and corporations will be the biggest beneficiaries of the Senate tax cut plan. Advocates are fighting hard against both the House and Senate tax cut bills, calling them a one-two-three punch inflicted on low- and middle-income Americans. First, people are hurt in the near-term by seeing their taxes go up from the loss of deductions or credits; the bills eliminate many deductions and credits low- and middle-income families rely on, including (in the House and/or Senate versions) the medical expense deductions, certain college deductions and credits, state and local income and sales tax deductions, and the Child Tax Credit for immigrant families. Up to [1 in 4](#) middle-class families will pay more taxes under the House GOP tax plan by the tenth year. In fact, one [estimate](#) that looks specifically at families with children under 18 finds that more than 40 percent of them will pay higher taxes in 2027. Next, larger deficits created by these bills will be used as an excuse to cut domestic programs and services Americans rely on, such as Medicaid, SNAP, education, housing,

and others. These cuts will come on top of [years of cuts](#) sustained by some of these programs. Finally, some tax changes that could have been used to invest in real national priorities, such as using the money saved by reforming the mortgage interest deduction to increase affordable housing for low-income families, will instead be given to the rich and wealthy corporations.

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Year-end Spending Deal Still in Limbo

With the government set to run out of money on Dec. 8, members of Congress have yet to reach a deal to keep the lights on. The Senate still hasn't voted on its versions of any of the 12 required spending bills, and Congress has yet to come to an agreement on topline spending levels for FY18, which began October 1. One option is to try to pass a year-long, catchall omnibus spending package that would combine all 12 required spending bills. Democrats are pushing for a deal that would also lift the tight spending caps and automatic cuts (also known as sequestration) that are scheduled to go back into effect for FY18 and that would require a \$5 billion cut below FY17 appropriations totals (\$2 billion from defense and \$3 billion from nondefense annually-appropriated programs). In the House spending bills, Pentagon spending is increased by more than \$50 billion beyond its cap. A bipartisan budget deal is needed to lift the caps, and unless one is reached, Democrats could filibuster a spending package in the Senate. Democrats have been firm in their position that the principle of parity must be maintained; that is, any additional money given to defense programs should be matched by money for nondefense programs. Advocates will also be ready to oppose cuts to mandatory programs such as Medicaid or SNAP as a way to pay for increases beyond the caps, as well as possible poison pill riders, or controversial policy changes, that members of Congress may try to add to any spending package.

If a bipartisan deal isn't reached by Dec. 8, a stopgap spending measure known as a Continuing Resolution (CR) will be needed to keep the government operating at current funding levels. Some predict a CR could go through January or early February. The threat of a shutdown still looms, however. Democrats have repeatedly said they will not vote for a spending bill that includes money for President Trump's border wall, while President Trump has said he will veto any spending bill that doesn't include this money. In addition, some Democrats are insisting that reinstating legal status for the "Dreamers" who have benefited from the Deferred Action for Childhood Arrivals (DACA) be included in a year-end spending bill. For more on immigration, see the related article in this *Human Needs Report*.

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Disaster Aid for Puerto Rico, Virgin Islands and Others on Hold Until December

Months after hurricanes hit Puerto Rico, the U.S. Virgin Islands, Texas, and Florida, the need for additional funding to help these communities rebuild is still great. The Trump administration is expected to send another request to Congress the week of Nov. 13 for supplemental aid for these and other areas hit by natural disasters, including wildfires. In anticipation of this, 28 Democratic senators, including

Minority Leader Chuck Schumer (D-NY) and Appropriations Committee Ranking Member Patrick Leahy (D-VT), on Nov. 3 sent a [letter](#) to White House Office of Management and Budget Director Mick Mulvaney with their wish list for what should be in the package. The list included funding for housing assistance, food assistance, public health assistance and Medicaid support, and infrastructure repairs, as well as assistance with Puerto Rico's existing debt crisis. They also insist the relief come in the form of emergency spending, without requiring cuts in other spending areas to offset the funds, as the White House and conservatives have said they want. Offsetting the funding would break longstanding congressional practice and contradict the definition of emergency spending included in the law.

The bill is not expected to pass Congress until December, despite the fact that many U.S. citizens in Puerto Rico and the U.S. Virgin Islands are still without power, water, adequate food, and shelter. Advocates are concerned that the delay will not only hurt these citizens, but it may make passage of aid more complicated if it gets wrapped up in other year-end congressional priorities. The [Washington Post](#) also reported that, because Puerto Rico receives SNAP/food stamp funding in the form of a block grant with a capped annual amount unlike states on the mainland, aid cannot significantly increase in times of disaster. In Texas and Florida, the USDA issued additional food stamps to families who already receive them, and the Disaster-SNAP program provided temporary food stamps to families who do not already receive benefits. However, part of the disaster relief package enacted by Congress in October included \$1.27 billion in disaster food assistance for Puerto Rico. Advocates have organized a [Unity March for Puerto Rico](#) in D.C. to take place on Nov. 19 to call attention to the plight of Puerto Ricans and demand change.

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House Passes Children's Health Bill

On November 3, the House passed ([242-174](#)) a bill to renew funding for the Children's Health Insurance Program (CHIP), community health centers, and several other health-related programs. Funding for CHIP expired on September 30; states have been able to keep operations going thus far, though [five states](#) and four U.S. territories required extra money from the federal government to keep their programs going.

While advocates are pleased that Congress seems to be in agreement that funding should be extended for five years, they disagree with how the House bill would pay for this funding, saying these provisions would interrupt coverage and harm beneficiaries. For example, the House bill would cut the Prevention and Public Health Fund by \$6.35 billion over 10 years. Established by the Affordable Care Act, the fund provides vital support to state public health departments and the Centers for Disease Control and Prevention. The House bill also would increase Medicare premiums for higher-income enrollees.

According to [Families USA](#), the House plan would also allow insurers under the Affordable Care Act to dramatically reduce "grace periods" for consumers who are late with a payment. Instead of the current three-month grace period, insurers could terminate health coverage if a consumer is 30 days late with a

single premium payment. The nonpartisan Congressional Budget Office [estimates](#) that up to 500,000 people a year could lose coverage as a result. In addition, the bill would allow insurers to deny health care to pregnant women and children while back-office billing issues are being resolved. Advocates fear the resulting delays in care could lead to harmful birth outcomes and children's developmental delays.

Five states and the District of Columbia are estimating they could run out of funds by the end of this year or early January, according to a [report](#) from the Georgetown Center for Children and Families. [Several other states](#) may begin sending families notices that their children will soon lose or be denied CHIP coverage, despite qualifying for it, due to lack of funds. Advocates fear this will cause confusion and undue stress for families, and ultimately, loss of coverage if Congress does not act soon. More than 9 million children currently receive health care coverage under CHIP.

The Senate version of the bill also includes a five-year extension for CHIP and has [bipartisan](#) support. The Senate bill currently does not include the controversial offsets, or "pay-fors," that the House bill includes, though it is unclear what offsets will be in the Senate bill. Rather than the Senate passing a stand-alone CHIP bill, it is rumored that Congress may try to pass a consolidated health package in December that would include funding for CHIP, community health centers, the maternal and infant home visiting program, and others. The package could also include legislation by Senators Alexander (R-TN) and Murray (D-WA) that would continue the payments to insurance companies (known as cost-sharing reductions, or CSRs). CSR payments cover the insurers' costs of lowering deductibles and other out-of-pocket costs for lower-income marketplace enrollees; the Trump administration [announced](#) in October that it would halt CSR payments. A consolidated health package could also be added to whatever year-end spending deal Congress reaches. Advocates are concerned about what offsets may be used to pay for the package, which is currently estimated to cost around \$25 billion.

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ACA Open Enrollment Begins

Open enrollment for insurance coverage through the Affordable Care Act's marketplaces began November 1. This year, the open enrollment period will end on December 15; the 6-week sign-up period is half of the time allowed in previous years. The Trump administration has also cut advertising spending for open enrollment by [90 percent](#) from last year, and cut the budget for the "navigator" program, which pays workers to assist shoppers with enrollment, by 41 percent, from \$63 million last year to \$36 million this year. As noted in the related CHIP article in this *Human Needs Report*, the Trump administration also [announced](#) in October that it would end payments to insurance companies (known as cost-sharing reductions) that cover the insurers' costs of lowering deductibles and other out-of-pocket costs for almost 6 million lower-income marketplace enrollees. The decision to stop CSR payments, along with other uncertainties caused by Congress and the Trump administration's repeated efforts to undermine the ACA, have significantly increased marketplace premiums for "silver" plans for 2018. However, those who qualify for subsidies will get additional help in paying these premiums, and some may find the more comprehensive "gold" plans are a better deal.

Advocates are concerned that these cuts, along with the shortened enrollment period and the increased premiums, will dramatically reduce the number of people who enroll for coverage. Advocacy groups like [Get Covered America](#) have been busy promoting the open enrollment time period and reminding enrollees that 80 percent of marketplace enrollees can still find coverage for \$75 or less per month. So far, enrollment is running at a [faster pace](#) this year than last year.

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Immigrants Hurt by the Lack of a DACA Deal, a Decision by DHS, and the Tax Cuts Bill

Immigrant communities have been hit hard by a number of policy changes in recent months. Members of Congress and President Trump still have yet to agree upon a legislative solution for Dreamers, months after the President announced in September that he was rescinding the Deferred Action for Childhood Arrivals (DACA) program. At the time, the President gave Congress until March 5 to come up with a legislative solution for the nearly 800,000 young immigrants brought to the U.S. as children who currently benefit from DACA. While it was once thought that a DACA fix, such as the Dream Act, could be added to a year-end spending bill, Senate Republicans said in early November that the President made it clear this was unacceptable. President Trump has repeatedly said he wants any immigration deal to include increased funding for border security, including a wall along the U.S.-Mexico border, as well as ending “chain migration” in which immigrants with legal status can petition to bring relatives to the U.S. Other proposals from the GOP may include codifying DACA for current recipients but not for all eligible recipients, and not providing a path to citizenship. These proposals fall short of the Dream Act, which immigration advocates say needs to be passed before the holidays to prevent further damage to DACA recipients and their families. A statement from the [National Immigration Law Center](#) said, “The livelihoods of hundreds of thousands of young people and their families hang in limbo, and a solution simply cannot wait until next year.” For more on a year-end spending package, see the related article in this *Human Needs Report*.

In another blow to the immigrant community, the Department of Homeland Security announced on Nov. 6 that the Temporary Protected Status (TPS) designation extended to 2,500 Nicaraguans will be terminated on Jan. 5, 2019. The individuals affected, many of whom have been in the U.S. for decades and have children who are U.S. citizens, will either have to leave the country before this date, attempt to change their residency status so they can stay in the country legally, or stay in the U.S. illegally after losing their work permits, health insurance, and driver’s licenses. According to the [Washington Post](#), TPS was created by Congress in 1990 to avoid sending immigrants back to countries severely damaged by natural disasters, wars, or health outbreaks; it gives those with TPS status employment authorization and protection from deportation. TPS status was extended to Nicaraguans and Hondurans after Hurricane Mitch in 1998, and has been routinely renewed ever since. Hundreds of thousands of other individuals with TPS status await announcements deciding their fate: 57,000 Hondurans were given a six-month extension on Nov. 6 through July 5, 2018, to give DHS more time to collect information; 50,000 Haitians with TPS status expect a decision on their future in the coming weeks; and 200,000 Salvadorans have TPS status that is due to expire early next year. DHS has already ended TPS for several

African nations this year. Rep. Nydia Velazquez (D-NY) has introduced the [American Promise Act](#), which would ensure individuals who have lived in the U.S. under TPS for at least three years can stay in the country and pursue a path to naturalization. To learn more about TPS, visit [UnidosUS](#).

Provisions in the House and Senate tax cuts bill would also harm immigrant families and children. In the bills, the Child Tax Credit is changed to deny the benefit to about 1 million “young Dreamer” children in immigrant families who do not have Social Security numbers. Under current law, parents who do not have work-eligible Social Security numbers and pay taxes through the use of an Individual Taxpayer Identification Number (ITIN) can claim the refundable Child Tax Credit for their children. Denying the CTC to these families despite their parents’ work punishes children. The House bill also newly requires college students making use of the refundable portion of the American Opportunity Tax Credit to have a work-eligible Social Security number, preventing the Dreamers from getting this help. Together, these changes are estimated to deny between \$21-\$24 billion in tax credits over 10 years to the affected families. That increase in revenues will go to pay for the tax cuts for wealthy individuals and corporations. For more information on the House and Senate tax bills, see the related article in this *Human Needs Report*.

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Congress Repeals Rule to Help Consumers Fight Back

Consumer advocates celebrated on July 10 when, after more than five years of studying the problem, the Consumer Financial Protection Bureau (CFPB) finalized a rule to ensure that consumers can challenge big banks in court. According to the [Fair Arbitration Now Coalition](#), the arbitration rule would prohibit consumer financial services contracts, like those made with banks and lenders, from having forced arbitration clauses that ban class action lawsuits. The rule would give consumers a way to hold corporations accountable and ensures banks cannot cover up or hide illegal behavior.

The celebration was short-lived, however. On July 25, the House voted ([231-190](#)) to repeal the rule under the Congressional Review Act. Under the CRA, Congress has 60 legislative days to review and override certain new regulations enacted by federal agencies, with only a simple majority vote in the Senate and presidential approval. The CRA also prevents agencies from enacting similar regulations again in the future unless specifically authorized by a subsequent law. Rep. Walter Jones of North Carolina was the only Republican to join all Democrats in opposing the move.

The Senate followed on Oct. 24, voting [51-50](#) with Vice President Mike Pence casting the tie-breaking vote, to repeal the rule. Two Republicans, Sens. Kennedy of Louisiana and Graham of South Carolina, joined all Democrats in opposing the move. President Trump signed the repeal into law on Nov. 1.

Advocates insisted the CFPB rule was needed because forced arbitration hurts many consumers, including low-income consumers. The vast majority of all payday loan lenders and credit card companies use forced arbitration clauses. Without the option to join class action lawsuits, only 25 consumers with claims of less than \$1,000 pursue arbitration annually. In contrast, class action lawsuits returned \$2.2

billion in cash relief to 34 million Americans from 2008-2012. Since it began operations in 2011, the CFPB has returned nearly \$12 billion in refunds and relief to some 17 million Americans cheated by financial or other companies. For more information, see the [Fair Arbitration Now Coalition's](#) website.

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We appreciate your input. Give us your thoughts on our *Human Needs Report* at limbery@chn.org.
