Testimony Submitted for the Record

in response to the public hearing,

Tax Reform: Growing Our Economy and Creating Jobs

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On behalf of the

Coalition on Human Needs

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This testimony is submitted by Deborah Weinstein on behalf of the Coalition on Human Needs, an alliance of national organizations representing human service providers, communities of faith, and policy experts, as well as labor, civil rights, and other groups advocating for meeting the needs of low-income and vulnerable people. Its membership is listed here. Assistance in preparing this testimony was provided by David Elliot, the Coalition on Human Needs' Communications Director.

Last year, as Congress was debating a proposed tax bill that would deepen the federal deficit by close to $2 trillion over the next decade and result in a result in a massive transfer of wealth from low- and moderate-income families to the wealthiest Americans, opponents warned that the measure would not, in fact, lead to significant job creation or wage gains, and would threaten an entire gamut of human needs programs ranging from Social Security, Medicaid, and Medicare to CHIP, SNAP, SSI, subsidized housing, and many other programs.

Unfortunately, more than five months after passage of the legislation, we now know opponents' predictions about jobs and benefits to workers have proved accurate.

The tax bill has not resulted in significant job growth. Americans for Tax Fairness has pointed to motorcycle maker Harley-Davidson as a prime example of how savings from the tax bill led not to job creation but rather to massive profits for shareholders. ATF states:

> "Iconic motorcycle maker Harley-Davidson's response to the new Republican tax law—cutting jobs, rewarding shareholders, and moving production offshore—perfectly illustrates the law's failure to deliver as promised for American workers."

In fact, ATF noted, Harley-Davidson shut down a Kansas City plant – costing 800 local jobs, rewarded shareholders with $700 million in stock buybacks and opened a new facility in Thailand.

Harley-Davidson is not the only example of the tax bill not doing what proponents said it would do. ATF points to these other examples:

> **APPLE**: The company pocketed a $40 billion tax break on its offshore profits—that's 133 times more than the $300 million in one-time bonuses it's paying employees. Apple's estimated tax cut of $5.6 billion this year is 19 times more than its bonus payments. Even more alarming, Apple just announced a new $100 billion stock buyback program—333 times more than what it has said it is sharing with employees. Apple is getting credit for $350 billion in new "investments" over the next five years, but a careful read of its January announcement shows that figure is what it will contribute to the economy through normal operations, with little new spending involved.

KIMBERLY-CLARK: The company is using its tax-cut bonanza not to hire workers, but to cover the costs of laying off as many as 5,500 of them by closing 10 plants. Meanwhile, wealthy investors are benefitting as expected: the company plans $700-900 million in stock buybacks and a 3.1% dividend increase. There has been no announcement that the company's workers are getting any bonus or pay bump.

WALMART: The company has announced job cuts at least three times since the tax law passed, with more than 10,000 jobs likely on the line. Walmart's $700 million in one-time bonuses and wage increases in 2018 is dwarfed by a tax cut worth three times as much this year—an estimated $2.2 billion. Few workers will likely receive the highly touted $1,000 bonus because it requires 20 years of service with the company—the typical employee will probably get around $250.

These are but a few examples; ATF has dozens of others. Overall, ATF finds that only 4.2 percent of workers are getting bonuses and/or wage increases (6.5 million workers out of a total 155 million). Corporations are spending $456 billion on stock buybacks versus $6.9 billion on wage increases or bonuses.

While some have claimed that stock buybacks will enable later job-producing investments, that is not what they actually achieve. Buying back shares increases their value, which benefits the corporation's shareholders. Those are overwhelmingly people with higher incomes (the wealthiest 10 percent own 84 percent of stock and more than half of households own no stock in any form). CEO's and top company officials often also benefit, since they are frequently paid in part through stock awards and options.

According to the testimony of Steven Rattner on May 16, job creation has not accelerated since the Trump Administration began; in fact, it has declined, from an average of 201,000 jobs per months between October 2010 and December 2016 to 187,000 per month beginning in 2017.

Mr. Rattner estimates that the average American will receive about $20 per week through the tax cut. Over the short- and long-term, low- and middle-income Americans will lose more than they gain, because the revenue loss will undermine our nation's ability to address key human needs priorities. From infrastructure repair to education and health care funding, inadequate federal investments mean most Americans will pay more, for pre-school through college for their children, for health care, and even for car repairs from damage inflicted by unrepaired potholes.

In late November, in a letter to members of the U.S. Senate, CHN warned that the measure would hurt low- and middle-income Americans in a number of serious ways:

- a large proportion of them will ultimately pay more in taxes, not less;
- the repeal of the individual mandate for health coverage will result in 13 million going without health insurance and premiums rising by an average of 10 percent;

- state and local services they depend on, such as education, public safety, health services, and road repair, will be reduced because of the loss of state and local tax deductions;
- some low-income children in immigrant families will lose the Child Tax Credit;
- the lower inflation adjustment due to use of the Chained CPI measure will result in higher taxes over time;
- as the deficit deepens, there will be additional attempts to cut services such as Medicaid, Medicare, the Affordable Care Act, housing and nutrition aid, substance use disorder treatments, environmental protection, and much more;
- efforts to expand needed services and investments, such as child care, housing assistance, college financial aid, infrastructure rebuilding, or emergency aid for disasters and epidemics, will be hampered by the growing deficit.

Economic growth is most successfully spurred by a combination of public and private investments. More education and training helps workers earn more and become more productive. Better health care means fewer workers are limited by ill-health, either their own or their children's or aging parents.' Scientific research leads to new technologies and products that expand growth. Infrastructure improvements, both physical and cyber, also expand development. These investments require federal funding, but the tax cuts irresponsibly limit such funding, for years to come. In the absence of adequate funds, we will fail to expand internet access in rural areas, fail to protect our people from the health impacts of opioid or other epidemics, and further burden our families with insurance, caregiving, and education costs that will cause them to fall farther behind. Our nation's economic growth is built from these investments far more than it is from tax cuts that provide almost all of their largesse to the wealthiest among us.

In conclusion: our nation has many important priorities, including improving access to health care, reducing poverty and increasing opportunity, ensuring that our children are well-educated and can go on to college without incurring crippling student debt, protecting the retirement security of seniors, and maintaining and improving our infrastructure so that public health, safety, and economic growth are insured. The tax legislation enacted by Congress and signed by President Trump addresses none of these priorities.