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Report: GOP's Tax Law Leaves Millions of Workers Scrambling While the Rich Continue to Reap Rewards

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SUMMARY

With the filing season coming to a close, this brief report highlights how the 2017 Trump-GOP tax law put the interests of large corporations and wealthy executives above those of working families. The complex and confusing new law is coming around to bite millions of taxpayers as they file their taxes to find a surprise bill or a smaller tax refund than they anticipated.

- The GAO estimated that **3 to 4 million fewer filers would receive refunds in 2018** based on the Treasury Department's decision to change taxpayers' withholding.
- Many of the estimated 30 million taxpayers who did not withhold enough throughout the year could *additionally* be hit with penalties (at interest rates of 4 or 5 percent for 2018) on top of their bill from the IRS.
- The **wealthiest one percent of Americans enjoyed an average tax cut of \$51,140 in 2018**, almost the total income of the median family. In 2027 they'll receive a full 82 percent of all the benefits of the tax law.
- American families use their tax refund—which can be the largest single payment a family receives in a year—to visit the doctor, pay off bills, or make a major purchase of a household necessity, such as a house or a car.

The Treasury Department Inflated Paychecks Last Year, So Taxpayers Are Seeing Lower or No Tax Refunds This Year

I plugged it all in and at first I thought oh my goodness we're getting \$8,000 back and then I realized it was the wrong color ... so I went back in and checked everything and then I started to cry.
- Isadora B. (Denver, CO) ^{xxvii}

Shortly after the 2017 law was enacted, concerns were raised about how the IRS would adjust withholding tables to conform to the law, which took effect for the 2018 tax year less than two weeks after enactment.

The concern, expressed in a January 8, 2018 letter from Ranking Member Ron Wyden and then-Ranking Member Richard Neal, was that the tables used to determine paycheck tax withholdings might be formulated to boost paychecks in an election year at the expense of lower-than-anticipated refunds or unexpected tax liabilities when families filed their taxes a year later. ⁱ

As this report makes clear, those concerns have been borne out by the experience of taxpayers across the country during this filing season.

I am really frustrated with my refund this year. I was expecting good chunk of change. I was going to put it toward buying a car.
-Sal R. (San Gabriel Valley, CA) ^{xxviii}

Trump Shutdown Brought Chaos to Tax Season

President Trump's record-long government shutdown forced the IRS to shutter in the critical month before the opening of the 2019 tax filing season. The shutdown delayed the training of IRS employees on the 2017 tax law and closed Taxpayer Advocate Service (TAS) centers across the country. ⁱⁱ The shutdown began on December 22, 2018, and by January 24, 2019, TAS reported that:

"The IRS had over 5 million pieces of mail that had not been batched for processing; it had 80,000 responses to FY 2018 Earned Income Tax Credit audits that had not been addressed; it had 87,000 amended returns waiting to be processed." ⁱⁱⁱ

Taxpayers Unable To Receive Assistance

Further, TAS noted that taxpayer services were significantly impacted by the shutdown and that most levels of service improved only slightly during the first week of the filing season, which immediately followed the shutdown.

During the first week of tax filing season, the level of service for the Balance Due/Installment Agreement line was 6.7 percent, meaning that *“for that week 93.3 percent of the taxpayers calling to make payment arrangements were unable to speak to a live assistor.”*^{iv}

Millions of Taxpayers Are Finding a Lump of Coal in their Tax Filings

A Government Accountability Office report confirmed that the changes in tax withholdings would affect millions of filers.

The GAO estimated 3 to 4 million fewer taxpayers would receive refunds due to the Treasury Department’s withholding changes.^v

This has led to a surprise bill for millions, as well as refunds that are much smaller than expected or nonexistent for families who have counted on them in years past.

I only received a mere \$25 more per paycheck with this tax bill... Now I have to INCREASE my tax withholdings by \$50 to offset the "increase" in my pay. This is just sickening...
-Michigan Constituent

Families just trying to make ends meet can’t afford to hire lawyers or accountants to navigate the byzantine new tax code, unlike corporations and the wealthy, who have deployed armies of tax professionals to find every loophole and deduction imaginable to lower their tax bill.^{vi}

Many of the more than 30 million taxpayers who did not withhold enough throughout the year could additionally be hit with penalties (at interest rates of 4 or 5 percent for 2018) on top of their bill to the IRS.^{xxix, xxx}

Families Depend on Tax Refunds to Make Ends Meet

Even if workers received a small increase in their paychecks, many were not aware this would lead to a vanishing tax refund at filing time. **American families use their tax refund—which can be the largest single payment a family receives in a year—to visit the doctor, pay off bills, or make a major purchase of a household necessity, such as a house or a car.**^{vii}

According to a report by J.P. Morgan Chase, out of pocket spending on healthcare leaps by **60 percent** the week tax refunds are issued.^{xxxi}

For families expecting a little extra money back during tax filing season, suddenly owing money to the IRS can be a devastating turn of events in an economy where forty percent of Americans couldn't afford a \$400 emergency expense.^{viii}

One Group Who Isn't Uncertain About How the Tax Law Affects Them: The Wealthy

The wealthiest one percent of Americans enjoyed an average tax cut of \$51,140 in 2018, almost the total income of the median family. In 2027 they'll receive a full 82 percent of all the benefits of the tax law.^{ix}

In addition, corporations took their billions in tax cuts and turned them over to wealthy shareholders, executives, and foreign investors, announcing that they would buy back more than \$1 trillion in stock in 2018 at the expense of making significant investments or raising worker pay.^x

Wealthy Executives Use Stock Buybacks to Cash Out

An SEC analysis found that in the eight days following a stock buyback announcement, corporate executives sell five times as much stock than on an average day.^{xi} Given that CEOs of S&P 500 companies already make an average of 361 times what their workers make, this extra cash is icing on the cake for executives while workers toil to keep their wages ahead of inflation.^{xii}

Middle Class Workers Lose Important Deductions

In contrast, workers saw many of their miscellaneous deductions repealed, such as the deductions for unreimbursed business expenses (uniforms, travel, tools, etc.) and unreimbursed moving expenses for people who have to move for work. Many workers may not have realized that the 2017 law repealed these deductions to pay for tax cuts for their bosses.

I actually had to take out a signature loan from my credit union to pay my taxes and had to increase my monthly deductions by \$300 to make sure I'm not hit hard next year... So not only am I hit with this tax hike, I am now more in debt and I have less income at my disposal each month.

-Kathleen T. (CA) ^{xxxii}

The Wealthy Spent Their Tax Windfall on Private Planes and Yachts

Luxury carmaker Rolls-Royce Motor Cars posted record sales in 2018, and CEO Torsten Müller-Ötvös was up front about the reason, explaining that the Trump-GOP tax cuts “helped a lot to fuel our business.”^{xiii}

For corporations that couldn't be bothered to put their tax cuts into worker pay or investing for the future, the tax law set off a 'frenzy' of demand for private jets for corporate executives, who found they could write off the pricy purchases even while workers lost the ability to deduct their own businesses expenses from their taxes.^{xiv}

Wall Street has gotten into the private plane fun as well, finding a loophole for hedge fund managers and venture capital executives to lower their tax bill by buying private planes.^{xv}

If you prefer the slower pace of sea travel, the tax law made ‘buying a yacht a smart move,’ according to United Yacht Sales.^{xvi} One Republican Congressman took this advice to heart, celebrating the egregious giveaway to corporations and the wealthy by purchasing a yacht worth between \$1 and \$5 million the exact same day he voted for the tax cuts.^{xvii}

The Tax Law Chose Corporations Over Workers

While the tax law permanently slashed corporate tax rates, American families were an afterthought for the GOP.

- The tax changes for individuals expire after 2025. So in 2027 for example, 70 percent of middle class families will see a tax hike while big corporations enjoy their permanent low rate.^{xviii}
- Additionally, while working families simply pay their taxes when they come due, corporations can continue to stash their profits overseas and use tax havens to reduce their payments even further under the new tax law, despite President Trump’s repeated promises to close these loopholes.^{xix}

I was shocked that for the first time in my life, I have had to send the government several thousand dollars instead of receiving a modest refund... We have been sold a bill of goods once again. Middle class suffers at the expense of the wealthy.

**-David F.
(Grosse Pointe, MI)**

Other provisions further show the bill was written with big corporations in mind, not American workers. When a corporation lays off a whole factory floor and moves the plant overseas, they can write off their moving costs from their taxes as a business expense. But thanks to the Trump-GOP tax law, if you get laid off from your job and have to move to another state for work, you can no longer write off those moving expenses or other businesses expenses such as tools or supplies.^{xx}

Many Corporations Chose Profits Over People

Some of the biggest winners of the tax law are industries that don't need the taxpayer support: **Big Pharma, Big Banks, and Big Oil**. Despite receiving a windfall from the tax cuts and showering investors with more than \$73 billion in stock buyback announcements in 2018, the country's largest pharmaceutical companies admitted to the Senate Finance Committee that they were not using these gains to lower drug prices.^{xxi}

Company Name	Buybacks Announced Since Tax Law Passed
AbbVie	\$15 billion
Amgen	\$10 billion
Pfizer	\$10 billion
Merck	\$10 billion
Eli Lilly	\$8 billion

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In fact, **drug companies** announced a hike on the prices of hundreds of drugs in 2019, despite record profits and millions of Americans struggling with the costs of their prescriptions.^{xxii}

Big banks, just a decade removed from needing hundreds of billions in taxpayer dollars to prevent financial catastrophe, saw an additional \$28.8 billion in profits due to the tax law, pushing total profits to a record \$236.7 billion.^{xxiii}

Despite this windfall, many banks laid off workers while announcing billions in stock buybacks. Meanwhile, lending to consumers—the whole purpose of banks—slowed compared to the year before.^{xxiv}

Big Oil, an industry that heavily supported President Trump and the Republican Congress responsible for writing the tax law, got an immediate \$25 billion tax break, according to an independent analysis.^{xxv} In many cases, these oil and gas giants paid little or no taxes to begin with, while spending billions since 2000 on lobbying to kill climate change legislation.^{xxvi}

My taxes however went from a \$1,129 refund to me paying \$905.00. What happened? This was not what I expected from the tax reform we were promised.

-Michigan Constituent

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