CCD

CONSORTIUM FOR CITIZENS WITH DISABILITIES

The Top 5 Reasons the Tax Cuts and Jobs Act is Bad for People with Disabilities

The House and Senate passed different versions of the Tax Cuts and Jobs Act in November and early December and are now negotiating the differences between them. Both bills present serious threats to people with disabilities because they:

- Dramatically reduce tax revenues to provide tax cuts that disproportionately benefit the wealthiest Americans and corporations.
- Build pressure to cut Medicaid, Medicare, Supplemental Security Income, and other critical programs for people with disabilities to make up for lost revenue stemming from the tax cuts.

Both were developed using the budget "reconciliation" process, which means that the legislation only needs a majority vote (51) in the Senate to pass, rather than the usual 60.

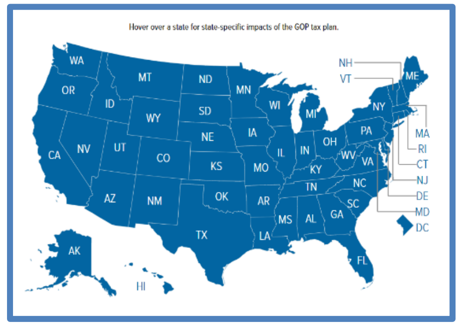
What Are the Worst Things About Tax Cuts and Jobs Act?

1) **Loss of Revenue that Sets the Stage for Cuts to Essential Programs.** The House and Senate bills reduce federal revenue by about $1.5 trillion over 10 years because they do not pay for the tax cuts they create. Passing a large tax reform bill that increases the deficit by this size will make it easy to justify spending cuts down the road. In fact, a few members of Congress have recently indicated their intent to do so. This is not surprising given that cuts of over $5 trillion to Medicaid, Medicare, Social Security, and many other critical programs are spelled out in Congress's Fiscal Year 2018 Budget Resolution, a planning document for the decade ahead.

2) **Tax Cuts That Aren't Paid For Will Trigger Automatic Cuts in Medicare and Other Programs for People with Disabilities.** A 2010 law referred to as the Statutory-Pay-As-You-Go (PAYGO) Act requires that any legislation that reduces revenues, like the tax bill would, to pay for itself so it does not increase the budget deficit during certain time periods. The House and Senate tax bills do not pay for themselves so they would trigger automatic cuts as soon as 2018. The size of the deficit created by the tax proposals would require cuts so big some programs people with disabilities rely on could be eliminated, including basic state Vocational Rehabilitation basic state grants, the social services block grant (including meals on wheels and foster care funding), and the affordable housing program. Medicare would be cut by $25 billion in 2018 alone and PAYGO would require larger and larger cuts in Medicare each year after that.

3) **Tax Cuts that are Skewed Toward Wealthy Individuals and Large Corporations.** People with disabilities are twice as likely to experience poverty, and people with low-incomes are more likely to have personal or family experience with disability. CCD's principles for tax reform stress that neither individual nor corporate tax cuts should exacerbate the severe wealth inequality that exists between most Americans (including people with disabilities who disproportionately have low incomes and levels of wealth) and the most prosperous. Unfortunately, both the House and Senate tax plans violate that principle.

The nonpartisan Joint Committee on Taxation shows that under the Senate plan, taxes on American families earning $10,000 to $75,000 would actually increase by 2027, while tax revenue from corporations, estate taxes, and individuals with high incomes would decline substantially. Public opinion polls show that concern over the economic benefit to the lower and middle class is shared broadly, with 62% of Americans actually favor *increasing* taxes on the wealthy, according to the most recent Wall Street Journal poll. Click on the map at right to see average tax changes in each state under the Senate plan.



If you need more evidence that the tax cuts are tilted toward the wealthy, the new Congressional Budget Office report looked at deficit reduction by tax filers' income brackets. These amounts reflect both changes in revenue (taxes) and program spending for these groups. As shown in the chart below, the category of filers earning less than $40,000 per year fare poorly as they help reduce the deficit by getting little tax relief and experiencing program cuts (mostly related to loss of health care coverage). Meanwhile, those in higher income brackets add to the deficit (shown in negative numbers) due to larger tax cuts.

ALLOCATION OF CHANGES IN NET FEDERAL REVENUES AND SPENDING UNDER THE TAX CUTS AND JOBS ACT

MILLIONS OF DOLLARS

INCOME CATEGORY	2019	2021	2023	2025	2027
Less Than $10,000	1,540	5,870	7,440	8,680	10,070
$10,000 To $20,000	960	9,050	11,400	12,180	16,060
$20,000 To $30,000	80	9,000	10,200	12,210	16,720
$30,000 To $40,000	-3,920	770	2,440	2,560	7,610
$40,000 To $50,000	-6,040	-2,660	-1,800	-1,530	5,270
$50,000 To $75,000	-22,270	-19,470	-16,940	-17,380	3,980
$75,000 To $100,000	-21,520	-21,560	-18,470	-19,540	-1,390
$100,000 To $200,000	-64,240	-63,990	-52,900	-55,470	-5,340
$200,000 To $500,000	-59,570	-60,110	-50,010	-54,530	-5,190
$500,000 To $1,000,000	-24,880	-24,080	-18,690	-20,000	-1,940
$1,000,000 And Over	-34,100	-28,690	-13,100	-15,810	-5,780
Total, All Taxpayers	-233,950	-195,570	-140,400	-148,620	-40,110

While the chart above shows deficit changes by income group, this does not mean that everyone in these groups is affected equally. Many families within higher income groups that benefit initially from the tax cuts will actually be worse off in the long run. In fact, an analysis by the Tax Policy Center shows that 87 million families with income under $200,000 would see a tax increase by 2027.

4) **Loss of Health Care and Bad Changes to Tax Breaks.** There are some very important differences between the two bills. But unless the House accepts the Senate bill without changes, the House and Senate will need to negotiate changes (whether through discussions or a formal conference committee), so all of the harmful provisions in either bill are still in play until a final bill is passed. Below are the most important provisions that we do NOT want to see retained in the final bill.

	In House Bill	In Senate Bill
Repeal of Individual Mandate for health insurance coverage. Will result in 13+ million fewer people with health insurance and premium hikes of 10% in the insurance marketplace. The individual mandate helps make possible non-discrimination in health care for people with disabilities like preventing insurers from charging more for people with pre-existing conditions and banning annual and lifetime limits on benefits.		✓
Repeal of the medical expense deduction. Nearly 9 million filers claim this deduction for medical care expenses that exceed 10% of an individual or family's adjusted gross income. It offsets some of the high "out of pocket" medical expenses, such as high cost prescription drugs, long term physical and occupational therapies, durable medical equipment, and long term care services and supports.	✓	Small *expansion* of medical expense deduction
Repeal of the Disabled Access Credit (DATC). The DATC assists small businesses in meeting obligations created by the ADA. It allows small businesses (<31 employees and gross receipts < $1 million a year) to claim a tax credit. Credit provides 50% of eligible expenditures between $250 and $10,000 for a maximum of $5,000	✓	
Repeal of the Work Opportunity Tax Credit (WOTC). WOTC is available to employers for hiring individuals from certain target groups, including people with disabilities. The WOTC for people with disabilities provides a credit for up to 40% of the first $6,000 in wages, for a maximum of $2,400 for SSI beneficiaries but up to $9,600 for certain disabled veterans.	✓	-
Limits Low Income Housing Tax Credit (LIHTC) Program. Changes proposed by the Senate bill are estimated to reduce units produced by roughly 300,000 over the next 10 years. The House bill has proposed even more dramatic changes, estimated to reduce units produced by nearly 1 million over the next 10 years**.**	✓	✓
Reducing incentives for charitable deductions. Raising the standard deduction could reduce the number of taxpayers who	✓	✓

	In House Bill	In Senate Bill
itemize deductions – including charitable donations – from the current 30% to 5%. Combined with a decrease in the top marginal tax rate, the disincentive to itemize would reduce charitable giving by $4.9 billion to $13.1 billion annually. The charitable sector provides a large portion of services for people with disabilities.		
Repeal or Limit Orphan drugs credit. Businesses can receive this credit for clinical testing expenses for certain drugs for rare diseases or conditions. It is estimated that if the orphan drug credit were repealed one, third fewer drugs addressing rare diseases would be developed in the future.	✓ **Repeal**	✓ **Limit**
Repeal of State & Local Tax Deduction (SALT). Taxpayers would lose the ability to deduct their state and local taxes from their federal taxes, a break used by about 44 million people (or 30% of tax filers.) Eliminating SALT would disproportionately affect people living in higher-tax states such CT, NJ, NY, & CA. People in higher tax states will end up with large tax increases; and/or states may lose public support for investing in quality public services (such as education, housing, & transportation) that benefit their constituents, including people with disabilities. See 50 state analysis of how much Medicaid spending is derived from state and local tax revenue here.	✓ **Partial Repeal** (only maintains property tax deduction, but limits it to $10,000)	✓ **Partial Repeal** (only maintains property tax deduction, but limits it to $10,000)

5) **False Promises About Tax Cuts Paying for Themselves.** Supporters of the House and Senate tax bills say that the bills will pay for themselves because they will stimulate the economy and cause economic growth to increase significantly. *But tax cuts in the past have never paid for themselves and no evidence exists that these tax cuts will be any different*. In fact, recent analyses find the opposite to be true. For example, according to the Tax Policy Center, the Senate bill would only generate a small fraction of increased economic activity needed to make up for the revenue loss - only $169 billion in revenue through new growth over the next decade, well short of the $1.4 trillion the bill adds to the deficit. This finding was shared by the conservative Penn-Wharton Budget Model and the Committee for a Responsible Federal Budget. Read more here. We also know from recent and historic examples that tax cuts have often not yielded promised results and have instead resulted in increased deficits and harmful programs cuts. The Kansas tax cuts provide a cautionary tale. Finally, a recent survey of 38 respected economists found that the tax plans being considered would cause U.S. debt to increase significantly.