



**THE
TAX CUTS
JOBS ACT
HEARING SERIES**
Communications Kit

MAY 2018

TAX CUTS & JOBS ACT

COMMITTEE ON WAYS AND MEANS



Communications Talking Points

TOPLINE STATS:

- **Our economy is growing:** The economy grew 2.9 percent year-over-year in the first quarter of 2018 and growth is expected to rise to 3.3 percent by the end of the year – a dramatic departure from the prior 2 percent growth status quo.
- **People's paychecks are getting bigger:** Wages are growing at their fastest pace since 2008.
- **Workers are excited:** Consumer confidence is at its highest level since 2000.
- **America is getting back to work:** The nonpartisan Congressional Budget Office (CBO) estimates that the Tax Cuts and Jobs Act will create 900,000 jobs, raise wages by \$1.2 trillion, and boost investment by \$600 billion. Already unemployment claims are at their lowest since the 1960s.
- **Main Street is humming again:** In the National Federation of Independent Business's April 2018 survey, the percentage of small businesses that reported seeing profit growth was the highest in the 45-year history of the survey. Also, small business confidence in the economy continued to be near all-time highs.

HEADLINE MESSAGING:

- **Thanks to tax reform, the economic outlook for America has dramatically improved.** The nonpartisan Congressional Budget Office predicts 3.3 percent growth and 3.5 percent unemployment for 2018. This is a sizeable upgrade from their final forecast in the Obama years when they predicted 2 percent growth and 4.5 percent unemployment for 2018.
- **Economic growth was our goal when we passed tax reform.** The Tax Cuts and Jobs Act was designed to deliver tax relief to middle-income families and grow the U.S. economy – and we're accomplishing both.
- **This was an open process that spanned over six years.** We listened to our workers, job creators, and policy makers and developed a plan, through the Better Way blueprint, to provide tax relief to middle-income families, create an environment for good-paying jobs to grow, and make America the best place in the world to start or expand a business.
- **The good news is the best is yet to come for America.** As Chairman Brady said: "We're not just in the first inning, we're in the first batter of the first inning of tax reform. Already, the results are very encouraging on investment, on wage growth, on dollars coming back from overseas, and that's why I still believe the best is yet to come on tax reform."

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HEADLINE MESSAGING CONTINUED:

- **There was long-standing, bipartisan agreement that the old tax code was not working for our families and businesses.** For decades, both sides called for reforms. With the Tax Cuts and Jobs Act, Republicans fulfilled our promise to deliver tax relief to hardworking Americans.
 - Rep. Richard Neal (D-MA) said in May 2016 that Obama-era levels of growth were discouraging: *"None of us can be encouraged by the Federal Reserve's recent suggestion that economic growth is going to be in the vicinity of 2 percent for perhaps the next decade."*

We are now projected to grow 3 percent in 2018 and 2.9 percent in 2019. According to CBO, tax reform will add \$1.7 trillion to GDP between now and 2028.

- Rep. Joseph Crowley (D-NY) called for family-friendly reforms in March 2015: *"[We] do need to fund what works, and that is fund the social safety net programs that help people, particularly low and middle-income families. EITC, the Child Tax Credit, are vital resources for millions of American families."*

We preserved the EITC and doubled the Child Tax Credit also making it available to even more families.

- Democrat Leader Nancy Pelosi (D-CA) said we needed a lower corporate rate in April 2016: *"It is long past time for tax reform that would lower the corporate rate, close special interest loopholes, end costly tax expenditures, and ensure all Americans are paying their fair share."*

We lowered the corporate tax rate from 35 percent to 21 percent, and CBO is projecting a \$600 billion increase in investment in the U.S over 10 years.

- Rep. Sandy Levin (D-MI) said in February 2016 that we needed to overhaul our international tax laws: *"There is no doubt that there needs to be tax reform, and that for it to be successful there must be changes on how companies engaged globally are taxed."*

We now have a modern, territorial tax system and have freed up billions of dollars that can be brought back to America instead of being trapped overseas.

- Rep. Ron Kind (D-WI) said in May 2017 that we needed to make the code competitive for our workers and farmers: *"Hopefully, we will end up at the end of this process with a much more simplified, more competitive tax code, but also fair for working families, for small businesses, family farmers."*

Tax reform is accomplishing all of these goals: Nine out of 10 taxpayers will now take the standard deduction, making tax filing much simpler; we now have one of the most competitive tax codes in the world for our businesses; an average family of four will see a tax reduction of over \$2,000 per year; and the tax burden on small businesses and farmers is reduced dramatically with the new, first-ever 20 percent deduction for pass-through business income.

- Rep. Terri Sewell (D-AL) recognized in May 2017 the importance of designing our tax code for the long term: *"We all want this tax reform to truly be lasting and not just a mere one-off."*

We agree. The Tax Cuts and Jobs Act was the biggest step in 31 years to overhaul our tax system. Our new tax code is built to grow our economy. We want to keep building off this success and change the culture in Washington so that improving the tax code is a continual focus and not just something we do only once a generation.

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MORE JOBS

- The nonpartisan Congressional Budget Office estimates that between now and 2028, **900,000 jobs will be created**, as well as \$1.7 trillion in GDP, \$600 billion in new investment, and \$1.2 trillion in higher wages.
- According to the Department of Labor's April report, **unemployment claims are at their lowest level since 1969.**
- A UBS AG report shows that **capital expenditures have increased** at their fastest pace since 2011. Businesses are investing in their workers and expanding their operations. That means more job opportunities for Americans. This is the foundation for future economic growth.

FAIRER TAXES

- The nonpartisan Congressional Budget Office estimates that roughly **nine out of ten taxpayers will choose the standard deduction** – saving time and reducing stress. **That's a 64 percent reduction in the number of taxpayers who have to itemize.**
- With lower tax rates for our small businesses, they can finally compete and win. Bank of America's small business owner report said **58 percent of small businesses cite tax reform as a "game-changer."**
- Due to the lower corporate tax rate, **87 million customers will see lower utility bills this year.**

BIGGER PAYCHECKS

- The left-leaning Tax Policy Center estimates **91 percent of middle-income taxpayers will see a tax cut.**
- As reported by Bloomberg, **private-sector wages have had their biggest gain since 2008.**
- Americans for Tax Reform has reported **over 6 million people have received bonuses or increased retirement contributions from their employers.**

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Charge

This law is fiscally irresponsible because it will add to our national debt.

We can't get to a balanced budget without generating stronger economic growth. Tax reform was all about making our tax code as pro-growth as possible. The reason we have an unsustainable fiscal outlook is not because we aren't collecting enough revenues – it's because we spend too much. Even after tax reform, CBO projects that revenues will rise by 65 percent between now and 2028. In addition, in the next decade revenues will average 17.3 percent of GDP - just shy of the historical average of 17.4 percent. Spending, in contrast, is projected to rise to nearly 24 percent of GDP, well above the historical average of 20 percent.

Response

Charge

This law will raise taxes on 86 million middle-income Americans.

The truth is that in 2019 alone over \$100 billion of tax cuts will go to families making under \$200,000 and over 90 percent of middle-income families will see a reduction in their taxes. That misleading statistic claiming 86 million people will see tax hikes has been widely debunked, including by the Washington Post fact checkers, because it uses projections for 2027, when temporary provisions will have expired, to describe what effect the tax cuts have when they are in place. If Democrats were serious about middle-income tax relief, they would help us to make the temporary provisions permanent for American families.

Response

Charge

The tax reform law provides trillions in relief to corporations.

The Tax Cuts and Jobs Act directs over 75 percent of the \$1.5 trillion tax cut toward families and small businesses while 25 percent goes to corporations.

Response

Charge

Over 83 percent of the benefits go to the top one percent.

The Tax Cuts and Jobs Act provides the most relief for middle-income families and workers. In 2019, over 56 percent of the tax cuts will go to families making under \$200,000 – we are ensuring that workers can keep more of their hard-earned money. In addition, the percent reduction in taxes paid is larger for middle-income families than for more affluent ones. For example, families making between \$40,000 and \$50,000 will see a 10 percent reduction in the taxes they owe, whereas millionaires will see a 5.9 percent reduction in the taxes they owe. In fact, according to the nonpartisan Joint Committee on Taxation (JCT), the share of taxes paid by millionaires increases from 19.3 percent to 19.8 percent with tax reform.

Response

Charge

This law promotes moving jobs, profits, and investment overseas.

With tax reform, American businesses can compete and win. We lowered the tax rates for businesses of all sizes to level the playing field so our job creators can invest and hire more workers here. According to CBO, the Tax Cuts and Jobs Act will create 900,000 jobs here at home, reduce profit shifting by over \$700 billion over the next decade, and spur \$600 billion in new investment in the United States. In addition, the JCT specifically credits our new international tax rules with bringing foreign investment back to the United States.

Response

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YOUR TAKE-HOME PAY GETS A BOOST

Employers have updated the federal income tax withholding in their workers' paychecks to reflect the enactment of the *Tax Cuts and Jobs Act*. For the vast majority of Americans, this means you should now be seeing an increase in your take-home pay as a result of the historic tax relief provided by the new law.

Where to Look on Your Pay Stub to See the Difference

There are two key places on a typical pay stub where you will see the effect of the *Tax Cuts and Jobs Act*:

JANE A. SMITH Example Pay Stub		
SUMMARY:		
Gross Pay: \$XXXX		
Net Pay: \$XXXX 1		
EARNINGS:		
Pay:	Hours:	Wages:
Regular Pay	###	\$XXXX
Overtime Pay	###	\$XXXX
TAXES:		
Deduction:	Amount:	Taxable Wages:
State Income Tax	\$XXX	\$XXXX
FICA Taxes	\$XX	\$XXXX
Medicare Taxes	\$XX	\$XXXX
Federal Tax Withholding	\$XXX 2	\$XXXX
Total	\$XXXX	

1. Net Pay: This is the total amount of money you keep from every paycheck after federal income taxes and other deductions. With the *Tax Cuts and Jobs Act*, this number will be larger for the vast majority of Americans due to lower tax rates and a significantly larger standard deduction.

2. Federal Tax Withholding: This is the amount of your pay the federal government takes from every paycheck for income taxes. With the *Tax Cuts and Jobs Act*, the vast majority of Americans will see this number go down in comparison to past pay stubs.

NOTE: The IRS recommends that you regularly review your withholding allowances – especially as your personal circumstances change.

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A Fact Check on the AP on Simpler Tax Filing: AP Got It Wrong

The Associated Press put out a so-called "fact check" of President Trump, Speaker Ryan, and Ways and Means Chairman Kevin Brady's Tax Day comments that next year will bring a simpler tax filing process for taxpayers under the new tax code.

Will filing taxes be simpler for Americans?

AP says "not so." **AP got it wrong.**

Here are the **FACTS**:

DOUBLED STANDARD DEDUCTION:

According to CBO, next year **31.3 million hardworking Americans will no longer be burdened** with the complicated process of itemizing deductions on their taxes:

- Under the old, bad code in 2017, 48.8 million taxpayers itemized.
- Under the new code only 17.5 million taxpayers will itemize.

That's a 64% reduction in the number of itemizers.

The AP piece pays lip service to the doubled standard deduction, but strangely doesn't connect the fact that not having to itemize vastly simplifies the filing process. The whole piece rests on the fact that it takes no additional time to fill out a form itemizing deductions than it does to fill out a form just taking the standard deduction, which is simply false.

If you've ever itemized, you know how long it takes—a heck of a lot longer than taking the standard deduction—which is now doubled thanks to the Tax Cuts and Jobs Act. This greatly reduces the number of people who will itemize, and reduces the amount of time it takes to do taxes.

MINIMIZED ALTERNATIVE MINIMUM TAX

Also according to CBO, **4.8 million hardworking Americans will no longer be hit by the Alternative Minimum Tax (AMT)**, an onerous additional tax that forced millions of taxpayers to calculate their taxes twice and that was all but eliminated in the Tax Cuts and Jobs Act:

- Under the old, bad code, in 2017, 5 million taxpayers were hit by the AMT.
- Under the new code, just 222,000 taxpayers will be hit by the AMT.

That's a 96% reduction in the number of Americans hit by the AMT.

As you can imagine, filling out forms that subject your income to additional tax under the AMT takes a lot of time, effort, and—you guessed it—accountants and lawyers.

Under the old, bad code, according to the Tax Foundation, people spent 2.6 billion hours complying with individual tax returns annually, which adds up to a whopping \$98.6 billion dollars of compliance cost. The good news is those bad, old days are gone. We can't wait for hardworking Americans to experience the relief that next year will bring under the new, simpler, pro-growth tax code.

BOTTOM LINE: We rate the AP "fact check": AP got it wrong.

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Tax reform included ample short-term benefits, but many more are on the horizon

BY MARY KATE HOPKINS | Hill OPINION CONTRIBUTOR

Is the new tax law working? Despite what you may have read or heard, the answer is a resounding "Yes," with the expectation that things will only get better.

Bizarrely, some of the law's critics seem to believe results should be instantaneous; but a tax change this momentous is a long term proposition. After all, it took more than a year for the Reagan tax cuts to work their way through the economy and produce long-term economic prosperity.

Still, in just the first four months under the new tax regime we've already witnessed substantial benefits, with hundreds of companies responding to lower corporate tax rates by raising pay, expanding benefits, giving bonuses, and more. Millions of America workers have benefitted.

For example, Walmart, the largest private employer in the country, announced it is raising its starting wage from \$9 to \$11 per hour, expanding parental leave benefits, and giving bonuses of up to \$1,000. A 22 percent raise like that can have a huge impact on a family's finances.

Critics contend these are "crumbs" and argue, in the words of Senate Minority Leader Chuck Schumer, "Corporations have been pouring billions of dollars into stock repurchasing programs, not significant wage increases or other meaningful investments."

This recurring argument made by those looking to justify their "No" vote on the tax bill is not just a distraction meant to undermine the bill's real benefits, it's also wrong. Stock buybacks are good for the economy because they shift cash from stagnant companies into more dynamic ones that can use it to expand operations, increase productivity, and, ultimately, create more jobs.

We know based on years of economic research that a large part of the burden of corporate taxes falls on workers by reducing wages and opportunity. A reduction in the corporate tax rate benefits workers by increasing take home pay and creating new jobs; this is a fact that critics of tax reform tend to ignore.

What about small businesses, which mostly file through the individual rather than corporate tax code? Here is how Bank of America characterized the results of its survey of more than 1,000 small businesses on their outlook on the tax law:

"We found some of the highest levels of optimism among U.S. entrepreneurs since we began surveying them...The majority say they plan to invest tax savings back into their business and reward and hire employees."

The term many entrepreneurs used to describe the tax law was "game-changer."

Success for this tax strategy will ultimately be decided by economic growth and jobs. So far, the news there is all good, too. Unemployment is 3.9 percent, an 18-year low, with African-American and Hispanic unemployment at 6.6 percent and 4.8 respectively, both all-time lows. With unemployment down, the number of Americans receiving unemployment aid is at the lowest level since 1973.

A tight labor market is good for workers. According to Dan North, chief economist at Euler Hermes North America, there is now a job open for every unemployed person in the country and heftier pay raises are on the way. In some parts of the country, the labor shortage is so severe that companies are paying folks to move there.

Meanwhile, the estimates for GDP growth for this year and next are extremely encouraging. Blue Chip, the Congressional Budget Office, the Federal Open Market Committee, and the Organization for Economic Cooperation and Development have all significantly increased their GDP forecasts for 2018 and 2019, citing the tax law as the primary reason.

What the critics fail to appreciate is that workers do well when the companies they work for do well. Chairman of the White House Council of Economic Advisers Kevin Hassett sums it up nicely:

In a dynamic, competitive economy, the relationship between companies and their employees is symbiotic, not antagonistic. Research by economists Alan Krueger and Lawrence Summers, both of whom served in the Obama administration, shows that more-profitable employers pay higher wages. Any company that attempts to pay a worker less than he is worth will quickly lose that worker to a competitor. Thus, firms that want to thrive must invest in their plants and workers.

It is clear opposition to the tax plan is grounded more in politics than reality. And as the full effects of the plan kick in and Americans begin to experience higher wages, more opportunity and better jobs, the critics will look more out-of-touch than they already do.