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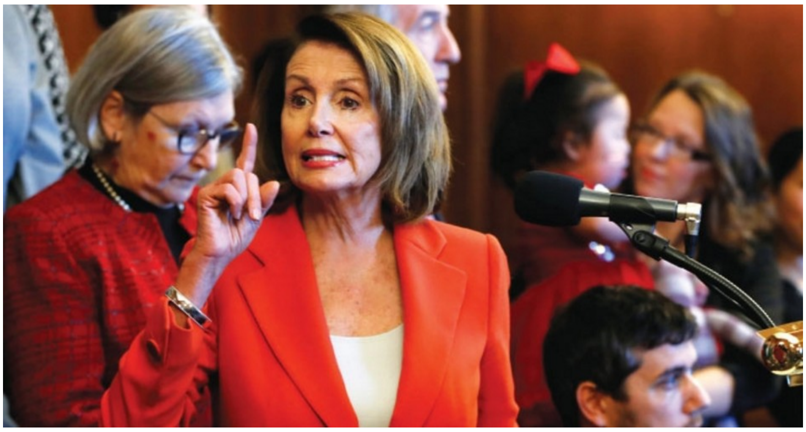
Published in the March 5, 2018 issue of the New American magazine. Vol. 34, No. 05

The Upside of Tax Relief Isn't "Pillaging"

From the print edition of The New American



Correction, Please! The Upside of Tax Relief Isn't "Pillaging"

A sampling of news articles:

Item: *The print version of the* New York Times *for January 28, 2018, carried an editorial entitled "Tax Cuts Do Raise Pay, for Bosses." (The online version said: "Are Corporate Tax Cuts Raising Pay? Yes, for Bosses.") The Times noted that recent announcements by various large, well-known businesses "that they are giving workers raises, repatriating foreign profits and investing in the United States because of the tax bill Congress passed last year are clearly music to the ears of President Trump and Republican lawmakers. But these statements are also cleverly designed public relations spin that tells us little about the actual long-term economic impact of the tax law."*

After a passing acknowledgement that the "economy is humming," the Times *emphasized that readers should "beware the spin." Said the editors: "Regardless of what's in the tax overhaul, businesses have an incentive to raise wages to retain and attract workers because of the tight job market. It is also very much in the political interest of companies to attribute to the new tax law the changes they make to salaries or investment plans."*

Then came the Times' *spin: "The Trump administration has argued that this cut will translate into big raises for workers, but many economists say that most of those gains will actually flow to shareholders and top executives."*

That interpretation was widely echoed in the mainstream media.

Item: *The left-wing* Washington Post's *"Fact Checker" carried a headline that said that President Trump's State of the Union Address had been "rife" with "disproved, deceptive figures." The column blasted the president for saying that the tax cuts provide "tremendous relief for the middle class and small business."*

It charged that "Trump is spinning the effects of his tax plan. Most of the benefits in the tax bill flow to corporations and the wealthy, according to numerous independent analysts."

Continued Glenn Kessler: "More than three-quarters of the $1.1 trillion in individual tax cuts will go to *people who earn more than $200,000 a year in taxable income, who constitute only about 5 percent of all taxpayers."*

Item: *In comments made on the floor of the House on November 16, 2017, Minority Leader Nancy Pelosi (D-Calif.) berated the GOP tax-relief bill then being considered, saying, "Republicans have brought forth a bill that is pillaging the middle-class to pad the pockets of the wealthiest and hand tax breaks to corporations shipping jobs out of America."*

Correction: "Pillaging" must mean something different in the Pelosi language. After all, post-tax cut, wages rose at the fastest annual pace since the recession ended, and as we write, the tax bill has led to millions of dollars in bonuses for American employees, as well as raises and increases in retirement accounts.

That said, just because opponents of the tax bill on the Left clearly made fools of themselves in their predictions does not mean that there have not been some misplaced and exaggerated claims by proponents. Every subsequent increase in the Dow Jones Industrial Average or the stock market in general was not caused by the tax-cut bill.

And one does wonder what Minority Leader Pelosi does believe — that is, beyond her famous assertion that bonuses of up to thousands of dollars being given to workers are "crumbs." Indeed, to hear her claims prior to the passage of the tax-cut legislation, this was the final battle at the end of the world between the forces of good and evil.

And she was not alone. Some of the over-the-top opposition to the Republican tax cut was noted by *The Hill* newspaper for December 4, 2017. Said the Washington, D.C.-based paper: "Rep. Nancy Pelosi (D-Calif.) hammered the Republicans' tax-code overhaul Monday evening as a culture-shaking economic 'Armageddon' that would haunt the working class for years to come." The paper went on:

Flanked by other top Democrats in the Capitol, the minority leader blasted Republicans for championing a tax proposal she equated to "the end of the world." "The bill that the Republicans are putting forth to go to conference is probably one of the worst bills in the history of the United States of America," Pelosi said….

"It robs from the future [and] it rewards the rich … and corporations at the expense of tens of millions of working middle-class families in our country," she added.

In fact, the various erroneous claims of opponents notwithstanding, the GOP tax reform does not benefit only the rich, nor does it pillage middle-income families to pay the bill for the wealthy.

Before we look at specifics, keep in mind that the U.S. tax system is highly progressive, which means that it already hits the "middle class" and the "rich" relatively heavier in order to distribute the wealth to those with lower and little earned income. The object is to buy votes.

In October of 2017, according to the latest available IRS figures (for tax year 2015), the National Taxpayers Union Foundation noted that about half of all filers paid less than three percent of all federal income taxes; meanwhile, the top 25 percent of income earners paid more than 86 percent of the total. Other figures follow from the foundation:

The top 1 percent of earners paid 39 percent of all income taxes, down slightly from the previous tax year's 39.5 percent share. The amount of taxes paid in this percentile is nearly twice as much as their adjusted gross income (AGI) load [almost 21 percent].

In 2014, the top tenth of earners paid 70.9 percent of all taxes — the highest level in our data spanning back to 1980…. And as recorded since 2009, the top half of all filers were responsible for over 97 percent of all income taxes.

The distribution is relevant for several reasons — especially when it comes to making cuts. One should not be surprised that those who benefit from cuts tend to be those who are paying most of federal income taxes. So, yes, the rich do get a cut. So too does the "middle class." Recently, Cato Institute scholar Chris Edwards took a close look at the tax legislation in question and how it affected the average tax filer in all of the groups with an income above $40,000. (Understandably, he did not examine those without income tax liability, since even the omnipotent government finds it hard to cut taxes on those who don't pay.)

Photo: AP Images

This article appears in the March 5, 2018, issue of The New American.

Edwards used the year 2019 since that is when both corporate and individual tax cuts apply. His findings: All of the affected income groups will experience cuts on average. The largest will be for those earning between $40,000 and $50,000; they will see their tax bill (on average) more than halved. And how about those hated rich who are supposedly doing the pillaging? Those earning more than $1 million can expect their average tax bill to drop by around six percent.

The resultant table (below) is derived from estimated payroll and excise tax data from the Joint Committee on Taxation (JCT). As described by Edwards, it shows individual and corporate income tax cuts as a percentage of estimated individual and corporate income taxes paid under current law.

As the figures show, middle-income American households will receive the largest percentage of the income tax cuts in 2019. The figures of the households making less than $40,000 are shown as "n/a" because they do not pay federal income taxes in aggregate (and are not included in JCT statistics).

The tax reform package was not ideal — especially when one considers that it will likely produce a larger national debt. The latter concern is of course downplayed by recent proponents. On the other hand, it is stressed by hypocritical supporters of and members of the previous administration who had no problem with deficit spending when they were in the ascendant. The national debt grew more under Barack Obama than any U.S. president in terms of dollars, up more than $7.9 trillion.

Because the Trump/Republican tax cuts became law through the "reconciliation" process, other tangentially related measures were part of the package — to include language enabling oil and gas drilling in Alaska's Arctic National Wildlife Refuge and the repealing of the individual mandate of "ObamaCare" requiring everyone to buy health insurance or pay a fine. Those significant pieces have been largely overlooked in the ensuing byplay over the cuts.

Meanwhile, big business is not unique in having a positive outlook about the economic future. Small-business optimism is at record highs, according to the Small Business & Entrepreneurship (SBE) Council. The SBE Council cites, for instance, last year's venture capital investment being the highest since the early 2000s; a huge increase in sales in 2017; sales during the Christmas holiday being the strongest since the Great Recession; and the new heights of business loan approvals. All of these developments, says the SBE Council, set the stage for solid economic growth in 2018. And according to a January survey from the National Federation of Independent Business, the percentage of U.S. small businesses planning to raise wages was the highest in more than 28 years.

Leaders of the Left, as noted above, view this as Armageddon. On the other hand, within a few weeks of the passage of tax relief, the *Washington Times* noted that this had produced "astonishing" positive benefits for workers, employers, and investors. "Democrats had been counting on running against an unpopular Republican 'tax cut for the rich' in 2018, but now that more than two million working-class Americans [a number that has continued to grow] have received raises or bonuses, that message sounds sour and falls a little flat. 'Vote for us,' the party's pitch seems to go, 'we will raise your taxes.' They can't expect good luck with that."

The *Washington Times* also remarked on the impact of the mainstream "liberal" media, "which regards itself as the shadow government." For instance, a new ABC News-*Washington Post* poll had just found good economic news, even as it discovered that "the credit should go to Barack Obama.… Only 38 percent of the public, the polltakers say, give President Trump credit for the good news, and 50 percent say the credit should go to the man who left the economy adrift when he left the White House."

The media's effects should not be minimized. The spin of the press — including what is reported and what is not, as well as what is accentuated — tends to become the political narrative. What is featured feeds the "resistance" to the current administration.

CNN, which leads the anti-Trump press parade, has been lamenting that rising stock markets lead to more "inequality," complaining that the young and those with lower incomes tend not to (directly) own stocks.

There is a larger picture: Gallup reports that about 54 percent of Americans do invest in the market, either through individual stocks, mutual funds, pensions, or retirement plans such as a 401(k). A Gallup survey last year also indicated that almost two-thirds of Americans between 30 and 64 own stocks. The rising Dow industrials helped drive up a jump of wealth of nearly $7 trillion between Trump's election and January 2018, plumping up the 55 million Americans with 401(k) plans and the 20 million with individual retirement accounts (IRAs).

Julia Seymour, the assistant managing editor for MRC Business (part of the Media Research Center, which monitors the networks), is correct in saying that the television networks "have ignored many good economic stories and downplayed others since Donald Trump became president." She cited, for example, GDP reports and many stock market record highs that went unreported. "Company decisions to raise wages and hand out bonuses because of the tax cuts recently passed and signed into law by the GOP majority were also minimized by ABC, CBS, and NBC evening shows."

Aly Nielsen, a colleague at the MRC, offered another telling incident in January. The bill, she said,

is also "expected to be responsible for about half of the upward revision to global economic growth over the next two years," the International Monetary Fund (IMF) announced Jan. 22. The network evening news shows ignored that prediction.…

ABC, CBS and NBC evening news shows ignored the IMF prediction on Jan. 22, and Jan. 23. While CBS Evening News broadcast mentioned Davos [the World Economic Forum in Davos, Switzerland] on Jan. 22, it only covered a study reporting that 82 percent of the wealth created in 2017 went to the world's richest 1 percent. The IMF forecast went unreported.

Such examples are ubiquitous. Indeed, that phenomenon is why economist Stephen Moore was on target when he made his point in late January that if the U.S. economy had "nosed-dived in 2017, there's no doubt the media would have pounced on Trump policies as disgraceful failures. But with the economy red-hot, he gets little credit. That's a double standard."

True enough. This conclusion also reinforces the theory that if "progressives" didn't have double standards, they would have no standards at all.

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