

Republican Plans to Cut Taxes Now, Cut Programs Later Would Leave Most Children Worse Off

Congressional Republicans this fall are poised to launch step one of a likely two-step tax and budget agenda: enacting costly tax cuts now that are heavily skewed toward wealthy households and profitable corporations, then paying for them later through program cuts mostly affecting low- and middle-income families. Most children and their families would lose more from the program cuts than they would gain from the tax cuts.

Congress appears headed toward crafting a tax-cut bill that would largely benefit the top 1 percent of households and profitable corporations, while increasing deficits by \$1.5 trillion over the next decade. (And the true cost, with no budget gimmicks, could be even higher.) Tax cuts will lead to larger deficits — claims that tax cuts pay for themselves fly in the face of decades of experience and credible, mainstream economic research.

When deficits rise, those who supported the tax cuts will likely label these deficits as unacceptable and point to *spending* as the culprit. When that happens, they presumably will call for the kinds of deep cuts they've already proposed in their long-range budget plans, which would hit basic assistance for struggling families, health care and education, and other key investments. Those cuts could happen as soon as next year.

Congressional leaders could have chosen to write a single bill with both the tax cuts they favor and the program cuts or tax increases to pay for them. This would have enabled the public and policymakers to evaluate the tradeoffs and make an informed decision. Instead, they have chosen to obscure this tradeoff by splitting their agenda into two parts. But this doesn't change the reality: the wealthy would win large tax cuts while everyone else would pay the tab.

The Republican Two-Step Fiscal Agenda

Step 1: Cut taxes for the high-income households now, driving up deficits

House and Senate tax bills would increase deficits by \$1.5 trillion and give largest tax cuts to the top-earning households and profitable corporations.

Step 2: Use higher deficits to justify cuts in critical programs for children, such as:

- Food assistance through SNAP
- Medicaid
- Income assistance for children with disabilities
- Education

When Tax Cuts Are Ultimately Paid For, Children Likely to Bear Significant Burden

President Trump and congressional leaders have been very clear on the areas they want to cut. The Trump and congressional budget plans for the next decade would cut basic assistance and health care for millions of low- and moderate-income families with children, making it harder for them to afford the basics and get health care. The budget plans also would cut key investments in areas such as education. Indeed, the Administration and congressional leaders have already pointed to *current* deficit projections — even *without* \$1.5 trillion in new, deficit-increasing tax cuts — to justify these cuts. Once a tax bill is law and deficits grow, they will likely argue that the resulting higher deficits make such cuts to children's programs even more urgent.

- **Health care.** The Trump and congressional budget plans call for cutting Medicaid and subsidies to purchase coverage through the Affordable Care Act marketplaces by between \$1.3 trillion and \$1.9 trillion over the next decade, with most of the cuts coming from Medicaid. The cuts would grow over time. For example, under the Trump plan Medicaid would be cut by 47 percent in 2027.

Some 34 million children receive health coverage through Medicaid, so large cuts in the program would have a serious impact. Some children could lose coverage entirely, while others could lose health services, including school-based services for children with disabilities.

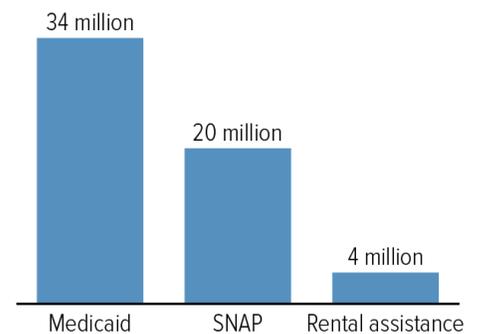
Millions of parents could lose health coverage. This would leave children at risk for serious economic hardship when an uninsured parent gets sick and medical bills mount.

- **Food assistance.** The Trump budget would cut SNAP (formerly food stamps) by at least \$140 billion over the decade; the cuts would reach about 30 percent in 2027. The congressional budget plan calls for deep cuts the budget area that funds SNAP but provides fewer specifics. SNAP provides basic food aid to 20 million children, and benefits are already modest — on average, households with children receive just \$91 per week in food assistance through SNAP.

- **Income assistance for children with disabilities.** The Trump plan would cut basic assistance for many low-income children with disabilities who receive aid from Supplemental Security Income. The congressional budget plan cuts the part of the budget that includes this program but does not provide specifics for how those cuts would be achieved.
- **College aid.** The congressional budget plan would cut Pell Grants, which help low- and moderate-income students afford college. The Trump and congressional budget plans also would cut student loans.
- **Tax credits for working families.** The tax bill proposed by House Ways and Means Chairman Kevin Brady would deny the Child Tax Credit to 3 million children in immigrant families, 80 percent of whom are U.S. citizens. Congress might also cut the Earned Income Tax Credit as part of future budget-cutting legislation, as an earlier House proposal would have done.
- **Other key investments.** The Trump and congressional budget plans would deeply cut non-defense discretionary (NDD) funding, the budget area that supports a broad set of children’s investments, such as housing assistance, early learning and child care, and K-12 education. These cuts would come on top of NDD cuts imposed since 2010, largely by the caps imposed by the 2011 Budget Control Act. By 2027, under the congressional budget plan, overall NDD funding would be 18 percent below its 2017 level and 29 percent below its 2010 level, after adjusting for inflation. The cuts under the Trump plan are even deeper.

Cuts to Medicaid, SNAP, and Rental Assistance Could Hurt Millions of Children

Child program participants



Note: Medicaid and housing figures are for 2016, SNAP (food stamps) figure is for 2015. Rental assistance includes vouchers, aid tied to certain private developments, and public housing.
Source: Congressional Budget Office, Department of Agriculture, and Department of Housing and Urban Development

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While the Trump and congressional budget plans don’t specify where these cuts would come from after 2018, areas that have already seen cuts or where Congress or President Trump have proposed cuts for 2018 would likely be hit:

- **K-12 education.** Funding for elementary and secondary education has already fallen by 13 percent since 2010, adjusted for inflation. The House-passed 2018 funding bill would bring the total cut to 20 percent. Under the congressional plan, the cut would reach 29 percent by 2027 if K-12 were cut by the same share as NDD overall.
- **Housing assistance.** The Trump and congressional budget plans would likely result in large cuts to rental assistance — including vouchers, aid tied to certain private developments, and public housing — with cuts growing over time. For example, by 2027, more than 300,000 families with children would lose rental aid under the congressional budget plan, if housing programs bear a proportional share of the budget’s NDD cuts. Such cuts would increase homelessness and housing insecurity, which research links to children’s health problems and diminishes their chances of succeeding in school.
- **Child care and Head Start.** Today, just 1 in 6 children eligible for child care assistance receive it, and Head Start serves only a small fraction of eligible infants and toddlers (and about half of 3- and 4-year-olds) due to inadequate funding. Despite this, the House and Senate funding bills for 2018 provide little or no increase for these programs. Since the cost of hiring teachers and buying teaching materials rises each year with inflation, both plans would likely lead to a *decline* in the number of children that child care and Head Start serve.

Under the congressional budget plan, by 2027 Head Start could serve roughly 170,000 fewer children than in 2016 — unless the program took drastic measures to reduce its cost and quality — if Head Start were cut by the same share as NDD overall.

The Bottom Line: Program Cuts Would Outweigh Most Families’ Small Tax Cuts

The GOP tax framework released in late September and the House Ways and Means proposal would provide very large tax cuts to the wealthiest Americans and profitable corporations, while providing little or only modest help to millions of low- and moderate-income families with children. Indeed, under the House plan, 10 million children in low-income working families would not benefit at all from the proposed expansion in the Child Tax Credit and 13 million additional children would receive less than the full \$600-per-child increase available to higher-income families. When Congress turns its attention to paying for those tax cuts, most families with children would likely lose more from cuts in areas such as health care, child care assistance, education, food assistance, and refundable tax credits — that is, from programs that provide them with needed support or promote their upward mobility — than they would gain from the heavily skewed tax cuts.