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Commentary: With Tax Cuts for the Top, GOP Leaders Now Aim Budget Cuts at the Bottom

By Robert Greenstein

Recent events in Washington, especially the tax bill's passage, have me thinking about the classic "A Christmas Carol." With the tax bill, President Trump and Congress are providing a bounty to those at the top, including Ebenezer Scrooge's modern-day counterparts. At the same time, the President and House Republican leaders have indicated that, next year, they are looking to cut health care and other basic assistance to struggling families, children, people with disabilities, and others who are less fortunate, delivering lumps of coal to millions of Tiny Tims and others across the nation.

The tax bill will provide a bonanza to the most well-off Americans and profitable corporations, even as it leads millions of Americans to lose health coverage and ultimately raises taxes on many low- and middle-income Americans. And, faced with criticism that the tax bill will swell budget deficits, President Trump and House Republican leaders have made clear that one of their top priorities for 2018 will be to use the fast-track budget "reconciliation" process — the same process they used to pass the tax bill — to cut assistance programs that aid millions of struggling families, to try again to repeal the Affordable Care Act (ACA) and cut Medicaid, or both. A reconciliation bill can pass the Senate with a simple majority rather than the 60 votes that most legislation requires (so Republicans don't need any Democratic votes), and opponents cannot filibuster it.

Together, this year's tax bill and House GOP leaders' plans for 2018 to cut health care, nutrition benefits, and maybe other assistance will widen income inequality by making those at the top even wealthier, increase the depth and breadth of poverty across the country, and further boost the number of uninsured Americans.

That's not the story Republican leaders are telling, however. After arguing that their tax bill will pay for itself through the additional revenues that the supposed higher economic growth will

generate,¹ and that it will raise working-class wages by thousands of dollars a year² — claims that most reputable independent analysts have dismissed — top Administration officials and House GOP leaders are using antiseptic terms like “welfare reform” and “entitlement reform” to describe their plans to shrink basic assistance. But repealing the ACA, cutting Medicaid sharply over time, or cutting basic food assistance to low-income families won’t help people gain skills, find jobs, or address the uncertainty of low-wage work. Office of Management and Budget Director Mick Mulvaney was more candid when he said recently, “We’re looking at ... welfare reform as a way to sort of reduce spending.”³

Let’s take a closer look at this week’s tax bill, and at the harsh cuts to basic assistance that will likely emerge in 2018.

Tax Bill: Bounty for the Top

The tax bill favors the nation’s wealthiest households and profitable corporations over working families. And it will swell budget deficits by \$1.8 trillion over the coming decade, including the added interest payments on the additional debt that the bill will generate.⁴ The bill’s ultimate cost could well be substantially higher because it’s rife with provisions designed to mask its costs, including sunsets of tax cuts for middle-income Americans after 2025 that Republicans say that they have no intention of ever allowing to expire.⁵ Consider:

- The bill’s large corporate tax cuts, its exceedingly generous tax cut for “pass-through” business income (the income that owners of partnerships, S corporations, and sole proprietorships claim on their individual tax returns and that’s now taxed at the same rates as wages and salaries), and its individual income tax rate cuts will largely benefit the most well-off. In 2018, the top 0.1 percent of households — those earning more than \$3.4 million — will receive an average tax cut of \$193,000, according to the Tax Policy Center.⁶ And by 2027,

¹ See Joel Friedman and Chad Stone, “Republican Tax Plans Cost More — and Add Less to Growth — Than Proponents Claim,” Center on Budget and Policy Priorities, December 14, 2017, <https://www.cbpp.org/research/federal-tax/republican-tax-plans-cost-more-and-add-less-to-growth-than-proponents-claim>.

² See Chad Stone, “GOP Making Highly Unrealistic Claims for Wage Gains from Tax Cuts,” Center on Budget and Policy Priorities, November 13, 2017, <https://www.cbpp.org/blog/gop-making-highly-unrealistic-claims-for-wage-gains-from-tax-cuts>.

³ Joseph Lawler, “Trump tees up welfare reform,” *Washington Examiner*, December 5, 2017, <http://www.washingtonexaminer.com/trump-tees-up-welfare-reform/article/2642303>.

⁴ CBPP calculations based on Joint Committee on Taxation estimates of the cost of the final tax bill. See <https://www.jct.gov/publications.html?func=startdown&id=5053>.

⁵ See Joel Friedman, “Tax Bill’s Cost Could Hit \$2.2 Trillion Over Next Decade,” Center on Budget and Policy Priorities, December 18, 2017, <https://www.cbpp.org/blog/tax-bills-cost-could-hit-22-trillion-over-next-decade>.

⁶ Tax Policy Center, T17-0312 - Conference Agreement: The Tax Cuts and Jobs Act; Baseline: Current Law; Distribution of Federal Tax Change by Expanded Cash Income Percentile, 2018, December 18, 2017, <http://www.taxpolicycenter.org/model-estimates/conference-agreement-tax-cuts-and-jobs-act-dec-2017/t17-0312-conference-agreement>.

the top 0.1 percent will receive 60 percent of the tax cuts, while the top 1 percent gets 83 percent of the tax cuts.⁷

- Meanwhile, low- and middle-income working families will fare far less well, with millions of them facing tax increases even before the individual tax cuts for them expire. And when those tax cuts expire, 23 million families with incomes below \$75,000 will face tax increases of over \$100 a year, with an additional 88 million families in this income range largely left out of the tax cut (they'll face tax increases or decreases of less than \$100) even as the corporate tax cuts remain in place, according to Joint Committee on Taxation data.⁸

Though the bill's proponents argue that it won't boost deficits because it will unleash higher economic growth that produces a flood of new revenue to offset the bill's costs, every reputable, independent analysis has shown that the final tax bill as well as the earlier House- and Senate-passed bills will add more than \$1 trillion to deficits over the next decade — and much more if future policymakers don't let their temporary tax cuts expire or their delayed tax increases take effect. Not even the Administration's own Treasury Department could craft a coherent argument for why the tax bill would generate the claimed economic growth.⁹

Deep Budget Cuts for Those Struggling to Get By

Asked about the fiscal propriety of adding so much debt to an already challenging long-term fiscal picture, President Trump and key House Republican leaders say they intend to address the problem by seeking large budget cuts next year. There's little mystery about what they'll try to cut. Previous Republican bills to “repeal and replace” the ACA, the President's 2018 budget, the budget resolution that Congress approved this year on party-line House and Senate votes, and recent statements by the President and House Republican leaders make their targets clear:

- **Health care.** In 2017, the House passed, and the Senate came close to passing, bills to repeal and replace the ACA. All of them would have caused millions to lose health coverage, effectively ended the ACA's Medicaid expansion to low-income adults over time, heavily cut subsidies that help moderate-income people afford private coverage, and weakened protections for people with pre-existing conditions. All of them also would have capped and cut federal Medicaid funding sharply, with one Senate bill cutting Medicaid by 35 percent by

⁷ Tax Policy Center, T17-0316 - Conference Agreement: The Tax Cuts and Jobs Act; Baseline: Current Law; Distribution of Federal Tax Change by Expanded Cash Income Percentile, 2027, December 18, 2017, <http://www.taxpolicycenter.org/model-estimates/conference-agreement-tax-cuts-and-jobs-act-dec-2017/t17-0316-conference-agreement>.

⁸ See Chye-Ching Huang, “JCT: Millions of Households Face Tax Increase or No Tax Benefit Under Republican Tax Bill,” December 19, 2017, <https://www.cbpp.org/blog/jct-millions-of-households-face-tax-increase-or-no-tax-benefit-under-republican-tax-bill>.

⁹ The Treasury's one-page “analysis” seeking to support the claim that the bill will pay for itself simply asserts that Administration policies overall would greatly boost economic growth and then estimates how much added revenue this fanciful estimate of added economic growth — which most economists reject — would create. Chad Stone, “Treasury ‘Analysis’ of Tax Bill Assumes What It Claims to Prove,” Center on Budget and Policy Priorities, December 12, 2017, <https://www.cbpp.org/blog/treasury-analysis-of-tax-bill-assumes-what-it-claims-to-prove>.

2036.¹⁰ Given that nearly half of Medicaid spending goes for seniors and people with disabilities and nearly 20 percent goes for children — and that these groups comprise about two-thirds of Medicaid beneficiaries — there’s no way for policymakers to make such Medicaid cuts without hurting these groups.¹¹ President Trump has repeatedly promised to pursue repeal-and-replace legislation again in 2018, and House Speaker Paul Ryan recently echoed that sentiment.¹²

Some of the 2017 repeal-and-replace bills linked cuts in health programs to tax cuts, devoting part of the proceeds from repealing the ACA and cutting Medicaid to financing tax cuts mainly for corporations and high-income households. Now, some Republicans are linking health care and tax cuts in a different, more cynical way. Some are suggesting that the tax bill’s elimination of the individual mandate (i.e., the requirement that most people get health insurance or pay a penalty) may spur premium increases and disrupt insurance markets, which in turn would generate more public pressure from angry constituents for Congress to repeal and replace the ACA.¹³ Other GOP lawmakers have made a different political argument. They’ve noted that the Congressional Budget Office (CBO) estimated that last year’s repeal and replace bills would have cost more than 20 million people their health coverage, and that those bills included repeal of the individual mandate. But because the tax bill, itself, includes mandate repeal — which will cause some millions of people to lose coverage — CBO’s estimate for a new ACA repeal bill in 2018 will show fewer people losing coverage than under past repeal bills. And some GOP lawmakers argue that this will make repeal easier to enact. In the end, of course, the net result would be the same: the combination of the tax bill and another repeal bill next year still would cost more than 20 million Americans their health coverage.

- **Food assistance.** President Trump’s 2018 budget, the 2018 congressional budget resolution, and past House Republican budget-cutting bills all targeted basic nutrition assistance — provided by the Supplemental Nutrition Assistance Program (SNAP, formerly known as food stamps) — for cuts that would make it harder for many low-income households to afford adequate food. The Trump budget would cut SNAP by at least \$140 billion over ten years, with the cuts growing larger over time and reaching about 30 percent by 2027. The budget resolution didn’t specify which programs would be cut and by how much, but its cuts in the part of the budget that includes SNAP are so large that they would virtually necessitate deep cuts in the program.

¹⁰ Congressional Budget Office, “Longer-Term Effects of the Better Care Reconciliation Act of 2017 on Medicaid Spending,” June 2017, <https://www.cbo.gov/system/files/115th-congress-2017-2018/reports/52859-medicaid.pdf>.

¹¹ “Policy Basics: Introduction to Medicaid,” Center on Budget and Policy Priorities, updated August 16, 2016, <https://www.cbpp.org/research/health/policy-basics-introduction-to-medicaid>.

¹² Donald J. Trump, “ObamaCare premiums are going up, up, up . . .” Twitter, November 23, 2017, <https://twitter.com/realdonaldtrump/status/933837062293291008?lang=en>; Peter Sullivan, “Alabama result deals heavy blow to ObamaCare repeal,” *The Hill*, December 14, 2017, <http://thehill.com/policy/healthcare/364822-alabama-result-deals-heavy-blow-to-obamacare-repeal>; Peter Sullivan, “Ryan: We need to ‘revisit’ ObamaCare,” *The Hill*, December 14, 2017, <http://thehill.com/policy/healthcare/364916-ryan-we-need-to-revisit-obamacare>.

¹³ Steven T. Dennis, “Cornyn Says Tax Bill Mandate Repeal Makes Obamacare ‘Unworkable,’” Bloomberg, December 19, 2017, <https://www.bloomberg.com/news/articles/2017-12-20/cornyn-says-tax-bill-mandate-repeal-makes-obamacare-unworkable>; Jennifer Haberkorn, “Graham-Cassidy backers eye reviving repeal plan next year,” *Politico*, December 19, 2017, <https://www.politicopro.com/health-care/whiteboard/2017/12/graham-cassidy-backers-eye-reviving-repeal-plan-next-year-300015>.

SNAP provides basic food aid to about 42 million low-income Americans, including 19 million children, 5 million seniors, and 4 million non-elderly adults with serious disabilities. Its benefits are modest; households get an average of just \$1.40 per person per meal. Policymakers cannot cut this program significantly without reducing the ability of many poor families to put food on the table.

- **Aid to low-income individuals with serious disabilities.** Another potential target is the Supplemental Security Income (SSI) program, which provides basic income support to poor seniors and people with disabilities. The Trump budget would cut SSI benefits for roughly a quarter of a million low-income children with disabilities, while the congressional budget plan calls for steep (but unspecified) cuts in the part of the budget that includes SSI. Many of the same low-income people with disabilities who would be hurt by SSI cuts also could be hurt by cuts to health care and food assistance, as described above.
- **Student aid.** This could be another target for cuts. The congressional budget plan would eliminate a major funding source for Pell Grants, which help low- or moderate-income students afford college. Both the Trump budget and the congressional budget plan also would make student loans costlier.

Deceptive Advertising

The President, Administration officials, Speaker Ryan, and some other House members are trying to mask the harsh nature of the cuts they intend to seek and the likely impact on struggling families and other vulnerable people by cloaking them under the guise of “welfare reform” and “entitlement reform” and arguing that they will enable more people to work. But forthcoming proposals to shrink basic assistance to needy families likely would do little to help people with limited skills and education, or other barriers to employment, to prepare for and find jobs. Nor would such proposals change the instability of low-wage jobs that mean workers often experience periods of joblessness. Instead, as similar policies under the Temporary Assistance for Needy Families program have shown, they likely will cause many vulnerable individuals and families to lose assistance and end up with *neither earnings nor* aid to meet necessities. (In addition, the administrative complexity of the requirements can mean that even some people who are already working may lose assistance.) Many so-called “work” proposals would give states significant financial incentives to shrink the number of poor families aided and take help away from substantial numbers of people who need it.

To be sure, we can enact policies to improve employment outcomes for those left behind in today’s labor market. Policymakers should take meaningful steps to help people get the skills to succeed in the labor market, which will entail (among other things) addressing the underfunded workforce development system, which provides job training to only a small fraction of those who need it. And only about 1 in 6 low-income children whose families qualify for child care assistance can get it, so many families struggle to afford safe care for their children and some cannot work (or work as much as they otherwise would) as a result. But GOP leaders haven’t shown much interest in tackling these matters; indeed, the Trump budget calls for deep *cuts* in job training. And denying health care or food assistance to poor individuals won’t address these problems.

Conclusion

The President and House Republican leaders don’t seem content just to bestow generous tax cuts on the nation’s most well-off people and profitable corporations. To help pay for the tax cuts, they

may seek far-reaching budget cuts next year that could, among other things, make it harder for struggling families to buy food, see a doctor, afford college, or otherwise make ends meet.

That's hardly a worthy agenda for this holiday season — or any season at all. In “A Christmas Carol,” Ebenezer Scrooge ultimately recognized that his priorities were deeply flawed, and he reversed course. In this holiday season, our nation's policymakers would do well to heed the same lesson.