

Republican Plans to Cut Taxes Now, Cut Programs Later Would Make Most Workers 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 workers 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 low-wage families, including health care, education and training, child care, and other key investments that support broad economic growth and protect workers. 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.

When Tax Cuts Are Ultimately Paid For, Workers Will Be Hit Hard

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 health care for millions of working Americans, cut supports that many working families need to make ends meet, and cut investments that benefit workers and help them get the skills they need to succeed in today's economy. 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 substantial cuts. Once a tax bill is law and deficits grow, they will likely argue that the resulting higher deficits make such cuts even more urgent.

- **Health care.** The Trump and congressional budget plans call for cutting Medicaid and the premium tax credits that help workers without employer-based coverage purchase health insurance through the Affordable Care Act (ACA) marketplaces by between \$1.3 trillion and \$1.9 trillion over the decade. The cuts would grow each year. The Trump plan, for example, would cut Medicaid nearly in half — by 47 percent in 2027.
 - Medicaid provides coverage to an estimated 29 million children in working families as well as more than 16 million adult workers. The ACA's Medicaid expansion, which the Trump budget and prior bills to repeal the ACA would eliminate, particularly benefits very low-wage workers who would not have access to private coverage.
 - Medicaid also provides coverage to seniors and people with disabilities, including individuals who require long-term care that, without Medicaid, would put a substantial financial and caregiving strain on extended families.
- **Investments in workers and training.** The Trump and congressional budget plans would deeply cut non-defense discretionary (NDD) funding, the budget area that includes a broad set of investments (such as job training), child care, and agencies charged with protecting workers from safety hazards and unfair practices by employers. These

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 workers, such as

- Job training
- Medicaid
- College aid
- Refundable tax credits

cuts would come on top of cuts imposed since 2010. By 2027, under the congressional 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. Under both plans, by 2027 NDD spending would fall as a share of the economy to levels likely not seen since the Hoover Administration.

- **Job training** has already seen very large cuts, and these would deepen. In 2017, funding for the basic job training formula grants under the Workforce Investment Opportunity Act was 19 percent below the 2010 level and 40 percent below the 2001 level, adjusted for inflation. Under the congressional plan, if job training is cut by the same percentage as overall NDD funding, by 2027 it would be 33 percent below the 2010 level and 50 percent below the 2001 level. These programs assist roughly 7 million people each year, with services ranging from job search assistance and counseling to intensive training.
- **Child care** is already woefully underfunded: just 1 in 6 children eligible for child care assistance receive it. Despite this, the House and Senate funding bills for 2018 provide little or no increase in child care. Since the cost of hiring staff and buying supplies rises with inflation, both bills could well lead to a *decline* next year in the number of children served. Cuts in NDD funding after 2018 would make the situation worse. Under the congressional budget plan, by 2027 roughly 80,000 fewer children would receive child care assistance than in 2017, if child care were cut by the same percentage as overall NDD funding.
- **Worker protection agencies**, which inspect workplaces to ensure they are safe and investigate complaints of mistreatment of workers (including wage theft and other unfair labor practices), have faced steady erosion — funding in 2017 was 7 percent below the already low 2010 level, adjusted for inflation. If these agencies are cut by the same percentage as overall NDD funding, they will be forced to reduce the number of investigators and inspectors, leaving workers more vulnerable to injury or fraud in the workplace.
- **College aid.** The Trump and congressional budget plans would cut Pell Grants and student loans, which help low- and middle-income students attend college. This includes both students of traditional ages whose families need help sending them to college and adult workers who return to school to upgrade their skills and competitiveness.
- **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. There is also a risk that Congress could cut the Earned Income Tax Credit in the future as part of budget-cutting legislation, as an earlier House budget proposal would have done.
- **Food assistance for working families.** 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 deeply cuts the budget area that funds SNAP, but provides fewer specifics. SNAP is an important support for low-income working households and households that are between jobs and need assistance until finding a new job. SNAP provides basic food aid to about 7 million households with a working adult each month, and 80 percent of households with a working age, able-bodied adult receiving SNAP have at least one member who either currently works or worked in the prior or subsequent year.

The Bottom Line: Program Cuts Would Outweigh Most Workers' 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 only modest or no help to millions of low- and moderate-income households. 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, low- and middle-income working families would likely lose far more in health care, child care assistance, college aid and job training, 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.