



TAX REFORM Communications Kit

*“You can’t be for big government,
big taxes, and big bureaucracy
and still be for the little guy.”*

—Ronald Reagan

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WHY TAX REFORM IS NECESSARY

TAXES TOUCH EVERY PART OF OUR ECONOMY.

- Families and individuals pay taxes.
- Businesses pay taxes.
- Incentives in the tax code affect our personal and business decisions.

MANY AMERICAN FAMILIES ARE STRUGGLING TO GET BY.

- Even many middle-income families live paycheck to paycheck.
- Wages have not been growing, while the cost of living continues to go up.
- Fewer families are able to save for the future and live the American Dream.

OUR ECONOMY HAS CHANGED; OUR TAX CODE HASN'T.

- Our federal tax code hasn't been reformed since 1986
- But think how our economy has changed since then (tech, Uber, etc.).
- In the meantime, the tax code has grown on autopilot, from fewer than 30,000 to more than 70,000 pages, increasing in complexity.

WE CAN HELP JUMPSTART THE ECONOMY WITH TAX REFORMS AND TAX CUTS.

- Families and individuals deserve to keep more of their hard-earned dollars.
- Cuts for small and large businesses will lead to more hiring, better wages.
- Tax reforms will also save time and money by simplifying the filing process.

THE GOVERNMENT WILL FUNCTION MORE EFFICIENTLY WITH TAX REFORM.

- We need not worry that Washington will lack the resources it needs.
- Tax revenues are above historical averages. Spending is far above.
- If taxes are reformed and the economy grows, the government will benefit because tax revenue ultimately depends on the strength of the economy.
- Lawmakers should address spending through structural reforms, but until they do, taxpayers should not have to pay the price for D.C.'s inefficiency.

MISPERCEPTIONS V. FACTS ON TAX REFORM

MISPERCEPTION: *The tax reform plan will harm 401k retirement plans.*

FACT: This is not true. While it has been rumored in the media that the GOP will restrict the pre-tax contribution limit for 401k contributions, these untrue rumors are likely simply intended to sabotage the tax reform effort.

MISPERCEPTION: *The tax reform plan will ONLY benefit the wealthy.*

FACT: This is not true. The tax plan will benefit:

Low- and middle-income families by...

- increasing the standard deduction to \$12,000 for single filers and \$24,000 for married filers. Today those deductions are \$6,350 and \$12,700 respectively. **Source:** [House Bill Summary](#)
- increasing the child tax credit from \$1,000 to \$1,600 and making it so that more families are able to use this credit. **Source:** [House Bill Summary](#)
- adding a new \$300 tax credit for each taxpayer, spouse, and non-child dependent. **Source:** [House Bill Summary](#)
- saving the typical middle-income family of four about \$1,000 each year on taxes. **Source:** [White House Economic Advisors](#)

MISPERCEPTION: *The tax reform plan will ONLY benefit large businesses.*

FACT: Not true. They'll benefit, but so will small businesses and workers.

The plan will benefit large corporations...

- by decreasing the corporate rate from 35 percent to 20 percent.
- bringing our corporate tax rate below the international average of 22.5 percent. **Source:** [White House Framework on Tax Reform](#)

This could boost the stock market, benefiting everyday Americans:

- More than half of Americans invest in the stock market. **Source:** [Gallup](#)
- More than 40 percent of corporate stock is owned through retirement plans, including pensions. **Source:** [Tax Policy Center](#). This means that if tax reform contributes to a stronger stock market, retirement funds are stronger and more secure.

The plan will also benefit workers.

- More jobs
- Higher wages (In a global, competitive economy, workers ultimately bear the burden of corporate tax in lower wages. **Source:** [National Tax Journal](#))
- More money to save and invest for the future

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- More secure retirement plans with better performing markets

The plan will also benefit small businesses.

- Currently, some small businesses that file through the individual income tax code face tax rates of up to 39.6 percent.
- Under the proposed tax plan, these small businesses would pay a rate of up to 25 percent, with some limits to prevent abuse. **Source:** [The Wall Street Journal](#)

MISPERCEPTION: *The tax plan repeals the Estate Tax, a tax that only affects rich people.*

FACT: The plan repeals this tax starting in 2024, but it is not true that it only affects rich people.

Repealing the estate tax would create 159,000 new jobs. **Source:** [Tax Foundation](#)

The Estate Tax...

- raises little revenue.
- discourages saving and investment, reduces job creation, and hurts wages.
- is double taxation (Any wealth that is part of an estate has been generated via income or investment income, both of which are already taxed. **Source:** [The Tax Foundation](#))

MISPERCEPTION: *The tax cut for small businesses called “pass-through entities” (because the income “passes through” to the owner) will only help the very rich.*

FACT: Not true.

“Pass-through entities:”

- comprise the vast majority of small businesses.
- now earn a majority of business income.
- can be sole proprietorships, partnerships, subchapter-S corporations, etc.
- pass the business income through to the owner, meaning business income is taxed today at the individual tax rate, not the corporate rate. **Source:** [Brookings Institution](#) This means that if a business makes more money, this can bump the owner into a higher income tax rate, leaving less resources for him/her to reinvest in the business, hire more workers, or raise wages.

Cutting the pass-through rate from 39.6 to 25 percent

- will help small businesses and spur growth: more jobs and higher wages.
- allow employers to increase wages and hire more workers.

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- will include guardrails to prevent the manipulation of wage income into business income to get this lower rate.

Source: [*The Wall Street Journal*](#)

MISPERCEPTION: *The tax plan will eliminate the “Head of Household” filing status, which will hurt many single-parent families.*

FACT: This is false. Although President Trump proposed to eliminate the “Head of Household” filing status while on the campaign trail in 2016, this is not currently part of the tax reform discussion. The tax plan retains the HH filing status and increases the standard deduction for these filers from \$9,350 to \$18,300. Source: [*The Wall Street Journal*](#)

MISPERCEPTION: *Eliminating the deduction for State and Local Taxes (SALT) will hurt taxpayers in some areas with higher tax rates.*

FACT: Not true.

The SALT deduction...

- has given states license to raise state income taxes without repercussion. Removing this deduction will encourage all states to keep their income tax rates low.

- results in low-taxation state taxpayers subsidizing the high rates elsewhere. Removing this deduction will make the contributions of states fairer.
- today mostly benefits high-earners in high-tax states. It's the single most beneficial loophole for the wealthy with households earning over \$200,000 claiming \$243 billion in SALT tax deductions in 2014 (latest data available).
- won't help low-income families under the GOP plan anyway, because with the doubling of the standard deduction, far more families will simply use the standard deduction in the place of specific deductions like this one for SALT.
- Could be phased out in order to give states and taxpayers time to make changes to avoid being harmed.

Source: [*Washington Examiner*](#)

FREQUENTLY ASKED QUESTIONS ...AND SUGGESTED ANSWERS

HOW WILL TAX REFORM AFFECT... ME?

Millennials: Young Americans face particular economic challenges.

The plan will:

- greatly increase the standard deduction (from \$6,350 to \$12,000 for single filers). This is the amount of income that is not taxed, meaning workers can keep more of the money they've earned.
- keep in place the mortgage interest deduction so that young homeowners can continue to benefit from this if they itemize their deductions.
- offers families a new \$300 credit for non-child dependents, including for college students
- offer Millennials who are parents a substantially higher child tax credit.
- boost hiring so that Millennials—who face high unemployment—will be more likely to find a job.

Middle-income workers: This group stands to gain a lot from tax reform:

- The Council of Economic Advisors estimates a \$4,000 boost in income.

- Families can take advantage of a higher standard deduction (\$24,000), an increased child tax credit, and lower rates for all brackets.

Women: Women are a force of increasing power in our economy:

- comprising 47 percent of workforce and 40 percent of breadwinners,
- starting new businesses at 1.5 times the rate of men.

Women will benefit greatly from many of the changes in the tax plan,

- lower rates: keep more of the money you earn
- increase in the standard deduction
- increase in the child tax credit (if they have children)
- new \$300 credit available for non-child dependents, like elderly parents.

Seniors: Seniors rely more heavily on investment income than most Americans.

The plan will:

- strengthen the economy and markets, where seniors' money is invested.
- offer families a new non-child dependent credit for elderly parents.
- save seniors time and money by making filing simpler and easier.

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Business Owners: Small business creates many of the new jobs, products, and services available in our economy. The tax plan will:

- reduce the corporate tax rate, making American business competitive
- limit the top rate on small (pass-through) businesses to 25 percent
- allow businesses to keep more of their profit to grow, hire, or reinvest

WHEN WILL TAX REFORM TAKE EFFECT?

If lawmakers are able to pass reforms by the end of the year, as they currently plan to do, these reforms will be effective immediately for the 2017 tax year.

I'M CONCERNED THAT TAX CUTS WILL LEAD TO CUTS IN GOVERNMENT SERVICES, OR GREATER PUBLIC DEBT, BECAUSE THE GOVERNMENT WON'T GET THE REVENUE IT NEEDS.

Our national debt certainly is a concern:

- Our debt exists not because Americans are taxed too little, but because Washington spends too much.

- There is an amazing amount of waste that should be cut from government spending. Many of our programs need structural reforms that will put them on a fiscally sustainable path.
- Tax reform cannot wait for spending reform.
- In the meantime, Americans shouldn't have to pay the high price for the federal government's inefficiency.
- These tax reforms will not cut services. Instead, they will ultimately strengthen the economy and government services for everyone:
 - More people will have jobs and will have less need of government anti-poverty services.
 - More people with jobs will become taxpayers and contribute.
 - A stronger economy benefits government: When businesses pay less in taxes, they can reinvest and grow their business. This then generates more taxable business income and enables them to hire more workers who then are also paying taxes.
 - Historically, tax cuts have led to higher revenues, not lower. **Source:** [*Forbes*](#)

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WILL THIS TAX PLAN ELIMINATE DEDUCTIONS AND CREDITS THAT I CURRENTLY USE?

One goal of tax reform is simplicity:

- We do want to eliminate many of the special deductions and loopholes.
- (Keeping only the mortgage deduction and charitable deduction)
- These distort the economy and are a headache for people to track.

We realize that many people today benefit from some deductions and credits. But:

- People will pay less ON NET.
- Benefits far outweigh other changes:
 - Lower rates
 - Higher standard deduction
 - Higher child credit
 - New \$300 credit per taxpayer, spouse, and other dependents
 - Stronger economy overall: More jobs and better wages

WHY CUT TAXES FOR CORPORATIONS AND THE RICH? WHY NOT JUST FOR LOWER-INCOME PEOPLE?

Tax reform is intended to lower rates, but also to take away many loopholes that make the current tax code unfair and complicated.

Our corporate rate is one of the highest in the world, putting American workers at a disadvantage:

- encourages businesses to move overseas and hire there.
- results in lower U.S. wages

America's high earners pay the lion's share of taxes today.

Think about what any business or any high earner would do with additional money:

- Invest it in their own business, meaning more growth and more new jobs.
- Invest it in other businesses through the stock market, same result.
- Spend it by buying more goods and services, fueling other businesses to grow and hire more.
- Give it to charitable causes like foundations or endowments.

In any of these cases, money is being reinvested in a growing economy, leading to more jobs, and/or higher wages. It's important to cut taxes across the board.

WHAT CAN I DO TO LEARN MORE ABOUT TAX REFORM?

Visit the House Ways and Means web site to see the [tax plan framework](#) for yourself.