



U.S. HOUSE OF REPRESENTATIVES

COMMITTEE ON THE BUDGET

134 Cannon House Office Building, Washington, D.C. 20515 ★ (202) 226-7200 ★ democrats-budget.house.gov

John Yarmuth
Ranking Democrat

April 17, 2018

The Republican Tax Scam Revealed More and More

Every month, new nonpartisan analyses add to the [growing pile of evidence](#) that the new Republican tax law is nothing more than a scam on the American people. [The budget and economic outlook recently released by the Congressional Budget Office](#) shows the [Republican tax scam](#) will add \$1.9 trillion to federal budget deficits over the 2018-2028 period, even after accounting for economic growth. It also finds that the new law is a major factor in exploding the federal debt held by the public, estimated to reach 96 percent of GDP in 2028, a level not seen since World War II. Four months in, it is increasingly clear that none of the Republican claims about their tax scam are true. The law will not significantly grow the economy over the long run to pay for itself; it will mostly benefit corporations and wealthy shareholders; and it will not boost workers' pay significantly.

The Republican tax scam does not significantly grow the economy to pay for itself — Expert analyses continue to show the tax scam will explode our deficits and debt, which will create a drag on our economy over the long run. CBO warns the dramatically worsened fiscal outlook—due in large part to the GOP tax scam—could put the nation at risk for a longer-than-necessary recession, should there be an economic downturn.

- [CBO estimates](#) the GOP tax law will add \$1.9 trillion to federal debt over 10 years, and the interest costs to finance the tax law alone will be greater than the marginal tax savings resulting from the increase in economic growth due to the tax law.
- [A new survey published by the Federal Reserve Bank of Atlanta in conjunction with Stanford University and University of Chicago Booth School economists](#) shows the GOP tax law has done little to bolster corporate investment plans, which runs counter to the GOP argument that the giveaway to corporations will mean huge investments in the economy.
- According to a Morgan Stanley survey, analysts estimate [a whopping 70 percent of the tax windfall will go to shareholders in ways that have little impact on the economy, jobs, and wages](#).
- According to [a new estimate from a pair of economists from different sides of the political spectrum, Robert Barro and Jason Furman](#), the GOP tax law will increase economic growth modestly, but not fast enough to pay for itself.
- Office of Management and Budget Director Mick Mulvaney admitted at a House Budget Committee hearing on February 14 that [the GOP tax law accounted for a big part of the dramatic drop in government receipts in the administration's 2019 budget](#) relative to its forecast last May.

The tax scam benefits corporations and wealthy shareholders, not workers — Corporate behavior during the first four months of the GOP tax law reveals that their huge tax cut has mostly benefitted their wealthy shareholders and executives through stock buybacks and dividends, not workers.

- According to TrimTabs, [buybacks in 2018 have averaged \\$4.8 billion a day, double the pace for the same period a year ago](#), before the massive tax cut to corporations.

- J.P. Morgan estimates that [U.S. companies could buy back as much as \\$800 billion of their own stock this year](#), a new record up from \$527 billion last year, due in large part to the corporate tax cuts.
- In the first three months of 2018, [investors received \\$109.2 billion in dividends, up more than 8 percent](#) from the \$100.9 billion received in the same period a year earlier, according to S&P Dow Jones Indices.
- [Wall Street bonuses are climbing toward record highs again with the average bonus payout reaching \\$184,220](#), and industry experts say the larger bonus pool was due, in part, to the corporate tax cuts that encouraged some banks to accelerate some pay and bonuses.
- Goldman Sachs in February estimated [S&P 500 firms will return \\$1.2 trillion to shareholders via buybacks and dividends in 2018, increasing share buybacks by 23 percent to \\$650 billion this year](#), thanks to the GOP tax cut.

The massive tax cut to corporations does not trickle down to American workers — As the evidence in [our previous report](#) shows, companies’ bonus and wage increase announcements tell us nothing about the GOP tax law’s impact on workers, because these companies would have made business decisions to keep and attract good workers in a competitive labor environment *regardless of the tax cut*. American workers deserve every bonus and wage increase rewarding their hard work, regardless of how companies are characterizing them. However, the bonus and wage announcements that Republicans are attributing to the tax law pale in comparison to the huge benefits going to their wealthy shareholders.

- A Morgan Stanley survey found that analysts estimate [70 percent of tax cut savings will go to shareholders, while only 13 percent will go to pay raises, bonuses, and employee benefits](#).
- A Bloomberg analysis found that about [60 percent of tax cut gains will go to shareholders, compared to only 15 percent for employees](#).
- Just Capital, which tracks corporate performance on a range of corporate responsibility-type metrics, finds that [just 6 percent of capital allotted so far is going to staff, while 57 percent is going to shareholders](#) in the form of dividends, share buy-backs, or retained earnings.
- An analysis by Americans for Tax Fairness shows that [126 companies have received \\$60.8 billion in total tax cuts, which is nine times more than the \\$6.5 billion in bonuses and pay increases](#) for workers.
- S&P 500 companies have spent [\\$183 billion on share buybacks, while they have allocated about \\$5.6 billion to bonuses and wage increases](#) since the tax cuts became law.
- An analysis by Americans for Tax Fairness shows [corporations are spending 39 times as much on stock buybacks as they are spending on workers’ bonuses and wages](#).

The huge tax cut to corporations does not boost workers’ pay in a meaningful way — As noted above, American workers have earned every penny they have received in bonuses and wage increases, regardless of how their companies are characterizing them. However, many workers are not seeing increases in their paychecks and the few who are seeing increases are seeing amounts far less than what Republicans have promised in order to sell their tax scam.

- [A CNBC All-America Economic Survey](#) finds that 52 percent of working adults say they have not seen a change in their paychecks due to the tax cuts. Of the 32 percent saying they have seen a bigger paycheck, 40 percent say the extra pay helps “some” or “just a little” and 22 percent say the extra pay “does not help much at all.”
- Three months into the tax cuts, [significant wage gains seem elusive](#) based on the Bureau of Labor Statistics’ jobs reports.

- The latest Employment Situation report from the Bureau of Labor Statistics finds [the average American saw a \\$6.21 increase in average weekly earnings—which would result in a \\$323 annual increases—well short of the \\$4,000 to \\$9,000 annual increases projected by President Trump and House Speaker Paul Ryan](#).
- The White House says 3.5 million workers have benefited from bonuses and pay hikes so far, but that's [less than 3 percent of the total workforce](#).
- A Bank of America Merrill Lynch analysis found that [fewer than 45 of the 500 big companies that make up the broad Standard & Poor's 500 stock index have paid out cash bonuses to their workers](#) in the four months since the new tax law took effect.
- An analysis by Americans for Tax Fairness shows [just 6.3 million or 4.3 percent of workers are getting any one-time bonuses or wage increases](#) from their employers due to the tax cuts.
- [The Hill's public opinion poll of small-business owners](#), who employ half of the country's private workforce, shows that most small-business owners will not hire a new employee or give raises because of the new tax law.

Next Up: Target Benefits American Families Rely On — The Republican tax scam cuts taxes for the rich, while significantly increasing deficits and the national debt. Republicans remain committed to their three-step plan to give to the rich, which results in skyrocketing deficits, and then [make everyone else pay for it](#) with massive cuts to Medicare, Medicaid, and other top priorities for American families.