



COMMITTEE ON THE BUDGET

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2018 Tax Returns and Latest Economic Data Continue to Show the GOP Tax Law Mostly Benefited the Rich and Big Corporations

Americans' tax return data for the first tax year under the Republicans' 2017 tax law and actual economic data continue to remind working families and Main Street small businesses of the GOP tax law's broken promises. The tax law left most working Americans behind while showering benefits on the wealthy and large corporations. It resulted in plummeting corporate tax revenues and weakened our ability to address looming budgetary challenges arising from the aging of the U.S. population and rising health care costs. Furthermore, it had little measurable effect on the overall U.S. economy.

Instead of giveaways to the rich, we need fiscally responsible tax policies that put middle-class families and those working to climb into the middle class first, and make sure the wealthiest Americans and corporations pay their fair share.

Corporate Profits Soared while Working Americans Saw Little Tax Savings

- [60](#) of America's biggest corporations paid *zero* federal income taxes on their \$79 billion of U.S. profits in 2018 and instead received a net tax *rebate* of \$4 billion. This is [twice](#) as many companies paying no taxes as before the GOP tax law.
- Corporate profits soared by [16.2](#) percent, rising from \$1.75 trillion in 2017 to \$2.03 trillion in 2018.
- Corporations used various tax loopholes to lower their effective tax rate to just [7](#) percent in 2018—the lowest since 1947.
- The tax law did not have a meaningful impact on the vast majority of Americans—only [17](#) percent believe they got a tax cut.
- Small businesses [saw](#) disappointing tax savings, higher prep fees, and mass confusion.
- Preliminary IRS data from tax returns filed through May 23, which typically exclude high-income taxpayers who extend their tax filings, showed average tax liability fell most for taxpayers with incomes between [\\$250,000 to \\$500,000](#) in 2018—3 percentage points compared to 1 percentage point on average for incomes below \$100,000.

Corporate Tax Revenues Collapsed and the National Debt Exploded

- Corporate tax revenues collapsed in 2018—the first year of the GOP tax law—falling by nearly one-third, or by [\\$92](#) billion, from 2017.

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- The federal deficit jumped to [\\$779](#) billion in 2018, a nearly 17 percent or \$113 billion increase from 2017, largely due to the GOP tax law.
- The Congressional Research Service (CRS) found the GOP tax law reduced federal revenues by [\\$170](#) billion in 2018, with corporations benefiting most.
- Federal revenues were historically low in 2018 at [16.5](#) percent of the economy, a full percentage point below the 50-year average of [17.4](#) percent.
- The tax cut will worsen deficits and add [\\$1.9](#) trillion to the national debt over 10 years, even after accounting for any economic growth effects.

Corporate Tax Cuts Did Not Trickle Down to Workers

- Corporations used significant tax savings to buyback [\\$1.1](#) trillion of their own stocks to benefit their investors (foreign investors own about 35 percent) rather than investing in new plants and equipment or paying their workers more.
- CRS found that after the GOP tax law, [real wages grew more slowly](#) than overall economic output and at a pace consistent with the pre-tax law growth, despite tight labor markets.
- Worker bonuses slumped [22](#) percent after the GOP tax law—the Bureau of Labor Statistics’ March 2019 data shows the bonuses remained low at 72 cents per hour, far below the 88 cent level in 2017 and the 90 cent level in 2018.

GOP Tax Law Had Little Economic Benefit

- CRS’s [May 2019 report](#) found the GOP tax law [had little measurable benefit on the U.S. economy in 2018](#), fell wildly short of paying for itself, and benefited corporations the most.
- Under President Trump, the economy [grew about the same pace](#) as it did in Obama’s last years, and unemployment, while lower under Trump, has continued a trend that began in 2011.
- Real GDP grew by [2.5](#) percent in 2018 measuring from the fourth quarter of 2017 to the fourth quarter of 2018, which failed to meet the Trump Administration’s [3](#) percent annual growth target.
- The Bureau of Economic Analysis reported the economy grew at an annual rate of [2.1](#) percent in the second quarter of 2019, reverting to the pre-tax cut growth rate—real GDP growth has been slowing since the second quarter of 2018.
- For the first time since 2016, business investment [turned negative](#) in the second quarter of 2019—this slowdown contrasts sharply with President Trump’s rosy forecast of a long-term investment boom that would lead to wage increases.