

# JEWISH WORLD REVIEW

## A Dem presidential frontrunner leaps to unwarranted conclusions in tweet about Trump's tax cut

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"The average tax refund is down about \$170 compared to last year. Let's call the President's tax cut what it is: a middle-class tax hike to line the pockets of already wealthy corporations and the 1%."

--- Sen. Kamala Harris, D-Calif., in a tweet Feb. 11

image: <http://www.jewishworldreview.com/cols2/dingbat.gif>

Harris, who is running for president in 2020, attacked President Donald Trump's tax law after the Internal Revenue Service reported that preliminary data shows that the average tax refund check is down 8 percent (\$170) this year compared with last year.

Boy, talk about a non sequitur that turns out to be nonsensical and misleading. Let's take a look.

### The Facts

The average tax refund is down, at least according to preliminary data for returns processed through Feb. 1. (That's essentially one week of filing data.) But the size of a refund tells you nothing about a person's tax bill.

The tax law required the IRS to change tax withholding tables. The IRS encouraged Americans to review and update their W-4 forms to make sure the right amount was being withheld from their paychecks, but a survey by H&R Block indicated that 80 percent of Americans failed to do so.

In other words, if you left everything just the same, you can't expect the same result. The new tax law raised the standard deduction but also eliminated personal and dependent tax exemptions. While the law reduced tax rates, it also capped a deduction for state, local and real estate taxes, which could really mess up a person's tax situation, especially if they live in a state with high taxes such as California, New York and New Jersey.

But the size of the tax refund has no bearing on whether a person's taxes rose or fell. A person might end up giving less of their income to the IRS - and still end up with a smaller tax refund.

"Change in refunds does not equate to change in tax liability, since withholding amounts were adjusted," said Joseph Rosenberg, senior research associate at the nonpartisan Tax Policy Center.

Although few people look at it this way, a smaller tax refund means you gave less of a loan to the U.S. government over the course of the year. Ideally, you should end up with no refund or tax due.

Let's go back to Harris' tweet: She goes from noting the lower tax refund to declaring: "Let's call the President's tax cut what it is: a middle-class tax hike to line the pockets of already wealthy corporations and the 1%."

As we have explained before, any broad-based tax cut is going to mostly benefit the wealthy because they already pay a large share of income taxes. According to Treasury Department data, the top 20 percent of income earners paid 95.2 percent of individual income taxes in 2017. The top 10 percent paid 81 percent. The top 0.1 percent paid an astonishing 24.1 percent of taxes.

Because there are far more people in the middle class, there are fewer dollars to share per taxpayer when the savings from a tax cut are divvied up. The nonpartisan Joint Committee on Taxation estimates that 572,000 taxpayers will file returns with an income category of more than \$1 million, compared with more than 27 million in the \$50,000 to \$75,000 category, and almost 70 million in the under-\$50,000 category.

If the wealthy end up with more money because they pay more in taxes, that's not necessarily a fair way to look at tax legislation.

When the Joint Committee on Taxation and the Tax Policy Center looked at the impact of the tax bill, they concluded that in 2018, most people would see an overall reduction in taxes. The Tax Policy Center found that 80.4 percent of all taxpayers would get a tax cut, compared with about 5 percent experiencing a tax increase.

In the middle quintile, 91 percent would get a tax cut, averaging about \$1,090, with 7.3 percent facing a tax increase averaging about \$910.

Chris Edwards, of the libertarian Cato Institute, has argued that the Joint Committee on Taxation and the Tax Policy Center present a misleading picture because they include payroll taxes (such as for Social Security and Medicare) - and the Trump tax legislation left payroll taxes untouched. When you exclude payroll taxes, it appears as though the largest share of the tax changes goes to the middle-income quintile, according to his calculations.

Ian Sams, a Harris spokesman, said the senator was referring to the "long-term effect" of the tax cut.

Oh. That's certainly not clear in her tweet.

The individual tax cuts expire over the course of the decade. Republicans did this to keep the tax cut - especially a corporate tax cut - in a budget box that allowed only for a \$1.5 trillion increase in the federal deficit over 10 years. The assumption - possibly a big one - is that Congress will vote to extend the individual tax cuts when they begin to expire.

This phaseout of the tax cut has allowed Democrats to attack the law by using tax distribution tables for 2027, though most use phrases such as "long term," "long run," "end of the decade" or something similar to justify their rhetoric. Harris did no such thing, going straight from 2018 tax refunds to the impact of the tax bill.

Sams provided several articles to justify Harris' tweet, noting, for instance, that California taxpayers deducted an average of \$18,438 in state and local taxes in 2015, far more than the law's \$10,000 cap. He also cited a Gallup poll that found 64 percent of those surveyed said they did not notice an increase in their take-home pay as a result of the tax law.

"The tweet makes a couple assertions with a limited number of characters," Sams said. After an exchange of emails, he concluded: "I have sent you the facts that uphold both claims in the tweet." He did not answer a question about the income level that Harris considered "middle-class."

### The Pinocchio Test

This tweet combines two factoids into a highly misleading package. Yes, tax refunds are smaller, based on preliminary data. And, yes, in the long run, the Trump tax cut raises taxes on the middle class - if you make the probably unrealistic assumption that Congress will not act to rescue tax cuts for individuals.

But Harris presented these facts without nuance or qualification, making it appear as though the smaller tax refunds were evidence of a tax hike on the middle class. In reality, the size of a tax refund reflects nothing about the size of a tax cut or tax increase - and at least in 2018, the vast majority of middle-class Americans can expect to pay less in taxes as a result of the Trump tax law.

Harris earns Four Pinocchios.