



Democrats should get on board with making Trump tax cuts permanent

Stephen Moore

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On Christmas Eve, CNN's Jake Tapper told Sen. [Bernie Sanders](#) (I-Vt.), "Next year, 91 percent of middle income Americans will receive a tax cut." Tapper asked, "Isn't that a good thing?" Sanders replied, "Yeah, it is a very good thing. And that's why we should've made the tax cuts for the middle class permanent."

Could it be that a bipartisan policy consensus has finally emerged on Capitol Hill? The leaders of both parties and most rank and file members agree that the middle class tax cuts in the new tax law should be permanent. These cuts include lower income tax rates on the middle class, the doubling of the standard deduction, and the additional \$1,000 per child tax credit, all of which are set to expire after 2025. So lawmakers should make them permanent now.

The first bill in Congress in 2018 should be a slam dunk by making all the Trump tax cuts for the middle class permanent. This is an important policy correction because the new tax law saves the typical middle class family between \$1,000 and \$3,000 a year. But because of arcane budget rules, which capped the revenue loss from the tax bill at \$1.5 trillion over 10 years, those tax cuts vanish in eight years. The corporate tax cuts are permanent.

This was a shrewd political maneuver by Republican tax writers. The parts of the tax bill that are least popular with class warfare Democrats are permanent, while the parts of the bill that are most popular with Democrats are temporary. For weeks now, Democrats have been complaining that the middle class will face a tax increase after 2025. Many Americans have heard this drum beat and believe their taxes will go up now, which is the opposite of the truth.

The Associated Press reports that because of the expiration of the tax cuts "a majority of people earning less than \$93,200 would, on average, absorb a tax increase in 2027." Democrats and many in the media have been calling the Trump tax bill "a tax increase on the middle class." Actually, in the first seven years of the bill, middle class families get about a one-third reduction

in their federal income tax bill, according to an analysis by the Cato Institute. Republicans are betting that, just as happened with the Bush tax cuts of 2003, Democrats will extend the middle class tax cuts when the time comes.

So why not fix the problem immediately? A bill to prevent a tax hike on the middle class should sail through the House. In the Senate, the 60 vote requirement should be an easy hurdle to clear with at least a dozen votes to spare. What senator would vote for a tax increase on the middle class?

Deficit hawks may insist on “paying for” these tax cuts, but there’s an easy way to do that as well. The obvious revenue raiser is to make the repeal of the state and local tax deduction permanent. Right now, and inexplicably, that write-off is scheduled to come back to life in 2025. This would be an unwarranted giant tax cut for the very richest Americans. About half the benefit of the state and local tax deduction goes to the richest 2 percent or 3 percent of tax filers. Permanently eliminating this deduction not only pays for the extension of the middle class tax cuts, but it does so in a progressive way.

Part of this bipartisan deal could also be to eliminate the state and local tax deduction for corporations. It is unfair that small businesses can no longer deduct their state and local taxes, but Apple and Microsoft can. This reform would make corporations pay about \$20 billion more tax each year, but preserve the lower rates. That’s consistent with the principle of tax reform that rates should be low, but loopholes should be closed.

Meanwhile, the combination of the lower tax rates, the doubling of the standard deduction, and the doubling of the child credit would save the average middle class family about \$2,500 a year after 2025. Congressional Democrats may shrivel at the thought of voting to enshrine the Trump tax cut into law, but let’s find out if they are really working for the working class or not. This is an offer even Bernie Sanders will have a hard time turning down.