



## **Vote on Sweeping Tax Bill Expected in US Senate**

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With control of the U.S. Congress up for grabs next year, the Senate is days away from an expected vote on a major tax bill that Republicans say will make American corporations more competitive globally but that Democrats say will force the United States to borrow even more from China and other foreign creditors.

“For too long, we have been losing jobs to overseas competitors, in part because our businesses pay some of the highest taxes in the industrialized world,” said Republican Senator John Thune of South Dakota in a statement. “This plan would make U.S. businesses more competitive, which would create jobs and increase wages for American workers.”

The Republican plan would cut the tax rates Americans pay on their income and increase deductions for children, while eliminating deductions for state and local taxes. Corporate taxes would be slashed from a maximum rate of 35 percent to 20 percent. The Senate version would also repeal an Obamacare requirement that Americans purchase health care insurance. Obamacare was the signature legislative achievement of former U.S. president Barack Obama. Democrats point out that, while corporate tax cuts would be permanent, income tax reductions would be temporary.

“In 2021, families earning \$30,000 [a year] and under are going to get clobbered by a tax hike of nearly \$6 billion to pay for this handout to multinational corporations,” Democratic Senator Ron Wyden of Oregon said. “By 2027, the news is even worse. Meanwhile, the big corporations are guaranteed a tax cut across the board.”

“We should be working together to cut taxes for the middle class, not taking health care away from millions just to give tax cuts to large corporations,” said Florida Democratic Senator Bill Nelson.

House Republicans passed a tax bill last week with votes to spare, despite receiving no backing from Democrats. With a slim Senate majority, Republicans can afford just two ‘no’ votes from their caucus if U.S. President Donald Trump’s push to overhaul the federal tax system is to survive.

“I’m fairly optimistic,” said Chris Edwards, director of tax policy at the Washington-based Cato Institute. “I think it [the odds of a tax bill becoming law] is 60-40 (percent), maybe even 70-30 (percent).”

Senate Republicans want to pass their tax bill next week. The House and Senate versions would then be merged into one bill the party hopes will reach President Trump's desk by the end of the year.

"The chances of getting something done by the end of this year are no better than 50-50 (percent)," said Stan Collender, a former House and Senate Budget Committee staffer. "Yes, the House has already passed something, but what it passed is not acceptable to the Senate. It's not clear whether the Senate will be able to pass anything, and if it does, it's not at all clear that what it passes will be acceptable to the House."

"If you look at the polls, Republicans aren't doing so well," said Jeremy Slevin of the progressive-leaning Center for American Progress. "The tax plan is polling at 25 percent [support], which is below almost every recent piece of major legislation. Regressive tax cuts are a really tough political sell."

While taxpayers try to make sense of the legislation, Republicans and Democrats are making contradictory claims about its impact.

"They are both talking past each other," Edwards said. "Republicans are talking about economic growth, which will benefit everybody. It's of benefit to everyone if the GDP grows stronger, because in the long run wages will rise and incomes will rise. The Democrats are focusing more on specific mechanics – which particular group is getting the tax cut."

Both the House and Senate versions would boost America's \$20 trillion national debt by \$1.5 trillion over 10 years. Some Republicans who have long favored cutting taxes are voicing concerns about America's fiscal trajectory.

Arizona Senator Jeff Flake tweeted that America "must lower [the] corporate tax rate" – but has also said, "With the national debt exceeding \$20 trillion, we cannot simply rely on rosy economic assumptions [to boost revenue]."

Other Republicans see tax cuts as the key to the higher economic growth rates needed to improve America's long-term finances.

"When people have more money, that helps grow the economy," said Senator Mike Enzi of Wyoming.

The United States enacted major tax cuts during the Reagan administration and twice during the George W. Bush administration, and tax cut proposals have generally been popular with the American people.

"Nobody wants to pay more in taxes," Collender noted.

Even so, polls do not show a groundswell of support for current Republican tax plans.

“This package does not appear to be popular in polling,” said Justin King of the Washington-based New America Foundation, adding he wonders “whether that says something about anything put forward by President Trump and the Republicans at this point, or whether the broad appeal of [the message that] ‘we’re going to cut your taxes’ is waning.”

Passing a tax bill would fulfill a major pledge by President Donald Trump and give Republican lawmakers an accomplishment to tout going into next year’s mid-term elections.

“This bill may make all the difference, whether it passes or fails, whether there is a Democratic or a Republican House of Representatives in 2019,” Collender said.

Edwards notes that U.S. tax policy can have a ripple effect around the world.

“When the United States slashed its corporate tax rate in 1986, it launched a global revolution in slashing corporate tax rates,” he said. “Big trading partners with the United States like Canada and Britain went ahead [and cut] their corporate tax rates, as well. What the United States does will have a big effect [internationally].”