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## Biden's false claim that no one but the rich got Trump's tax cuts

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*"There's a \$2 trillion tax cut last year. Did you feel it? Did you get anything from it? Of course not. Of course not. All of it went to folks at the top and corporations."*

— **Former vice president Biden, in a campaign rally in Pittsburgh, April 29, 2019**

Here we go again. Democrats have long attacked President Trump's tax cut in misleading ways, just as the president had peddled his own share of falsehoods.

The former vice president has never been known for turning a phrase with precision, but in his opening campaign speech, he told a whopper. Let's take a look.

### The Facts

Technically, the tax cut signed into law by Trump had an estimated revenue loss of a little under \$1.5 trillion over 10 years. So Biden is rounding up here, though one could get the figure up to \$2 trillion if you include the cost of additional interest on the national debt or the cost of extending tax cuts that expire (more on that later).

But the biggest problem is Biden's sweeping declaration that "all of it went to folks at the top and corporations that pay no taxes."

That's simply wrong.

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 of 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. The top 1 percent in 2014 earned 20 percent of adjusted gross income and paid nearly 40 percent of federal taxes, according to the Tax Foundation. The Tax Policy Center estimates that in 2018, the top 1 percent would get 20.5 percent of the tax cuts.

Moreover, when both the Joint Tax Committee 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 have 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.

In terms of just individual tax cuts — which we should consider given that Biden was addressing union workers and other campaign supporters — the Tax Policy Center found 65 percent of taxpayers would get tax cuts. In the \$50,000 to \$75,000 range, 82 percent would get tax cuts, with people who got a tax cut ending up with an average of almost \$1,000.

About 80 percent making more than \$1 million would receive an average \$75,000 tax cut, according to the Tax Policy Center, but as we noted they already pay a lot in taxes. (And 20 percent of that group ended up with an average tax hike of almost \$100,000.)

There are other ways one can measure the impact of the tax law.

Chris Edwards of the libertarian Cato Institute has argued that both the Joint Tax Committee 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.

The left-leaning Institution of Taxation and Economic Policy (ITEP) acknowledges that most people would get a tax cut but says the tax changes as a share of pretax income are larger for the wealthy. The average pretax share is estimated to be 2.1 percent for all taxpayers in 2018, but the richest 1 percent would get 2.6 percent and the middle quintile would receive 1.6 percent, ITEP said.

Meanwhile, as this year's tax season ended, H&R Block reported that its clients experienced a 25 percent reduction in tax liability, which translates to about \$1,200 on average. Tax refunds were mostly flat, however, as the Internal Revenue Service changed the withholding tables so people would see more in their paychecks. So that worked out to about \$25 extra every week — or \$3.50 a day — starting in March.

Now, this may be one reason Biden's audience readily agreed with his statement that they didn't "feel" the tax cut. An extra \$3.50 a day might easily be missed, especially if the tax refund barely changed. The size of a tax refund appears to be very important for many Americans, even if it's in effect an interest-free loan to the government. Nevertheless, the average reduction in tax liability was 25 percent, which also serves to illustrate that many Americans do not pay much in federal income taxes.

When we queried the Biden campaign, we first received a series of links to articles that discussed how by 2027, middle-class taxes would rise under the tax law. That's because the individual tax cuts expire over the course of the decade. Republicans structured the tax cut this way to keep the whole package — especially the 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 tax cuts when they begin to expire, just as most of the George W. Bush tax cuts were extended, with the

eventual support of Democrats who had long opposed the Bush-era cuts. Still, the law is the law, and it's certainly fair to cite the projected impact of the tax cut in 2027, the end of the 10-year budget window.

But other Democrats have been more adept about adding phrases such as “in the long run” or “by the end of the decade” when citing the 2027 data. Not Biden. He frames the expiration of the individual rate cuts as happening now — and so incorrectly claims only the wealthy and corporations ended up with tax cuts in 2018.

“As he told the Teamsters Local 249 yesterday, Joe Biden is committed to reversing the Republican tax plan because it is overwhelmingly a giveaway to the wealthy and big corporations that hard-working families can't afford,” said spokesman Andrew Bates. “Forty percent of Americans can't withstand a \$400 emergency and 60 percent of our largest corporations are paying no taxes at all, which is exactly why Joe Biden is fighting to rebuild the middle class and ensure that we reward work — not just wealth.”

### **The Pinocchio Test**

This is a good example of how precise words and context matter in a fact check. We've previously given Democrats and Republicans Two Pinocchios for failing to make clear whether they are talking about the long-term or short-term tax-cut estimates for the law. But Biden, with his loose language, ends up in the Four-Pinocchio territory. He asserts that no Americans but those at the top received any tax cut in 2018, which is clearly false.

Most Americans received a tax cut. They may not have noticed it, but that's no excuse for saying they never got one.

### **Four Pinocchios**