

TAXES ARE A CHILDREN'S ISSUE

PART II: REVENUE

Webinar for the Children's Leadership Council

October 2, 2014

Joan Entmacher

Vice President for
Family Economic
Security

National Women's
Law Center

WHY TAXES ARE A CHILDREN'S ISSUE

- Refundable tax credits directly reduce child poverty and increase their chances for success in life (Part I).
- Tax revenues finance investments in children.
 - Federal spending on children, 2013: \$464 billion (Urban Institute, 9/14). Eg.: education, SNAP, child nutrition, Medicaid, CHIP, child care, Head Start, TANF, child welfare, social services



INVESTMENTS IN CHILDREN OR TAX CUTS?

Since 2010:

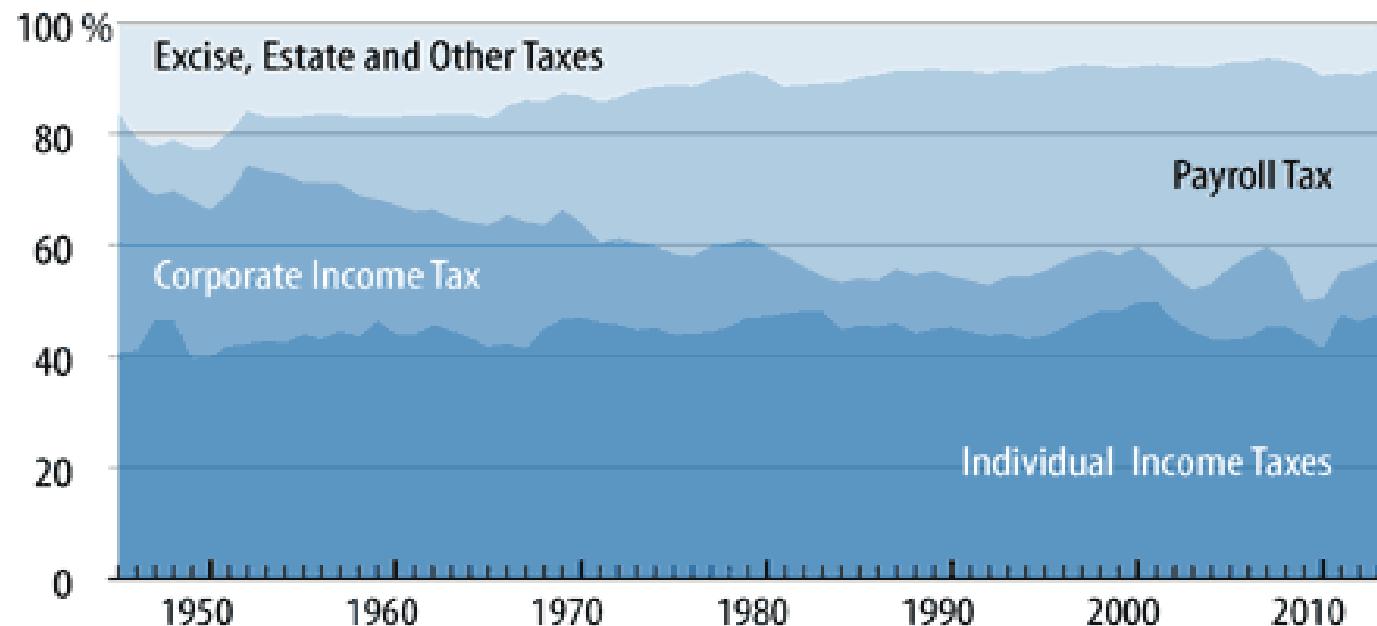
- 119 out of 131 human needs programs were cut, taking inflation into account (Coalition on Human Needs, 9/14).
 - 99 programs were cut well over 10%.
- Over 75% of the \$4.1 trillion in deficit reduction enacted by Congress comes from program cuts (CBPP, 3/14).

LOOKING AHEAD

- No relief from sequestration in FY 2016
 - Spending on non-defense discretionary programs such as education, Head Start, WIC, and child care) drops to lowest level as a share of the economy in over 40 years (CBPP, 4/14).
- House-passed budget (FY 2015) would cut programs even more. Over 10 years:
 - Cuts \$4.8 trillion from programs on top of sequestration.
 - 69% of the cuts--\$3.3 trillion--are to programs for low-income people (CBPP, 4/14).
- House-passed budget would cut taxes for the very wealthy and corporations. Over 10 years:
 - Reducing top tax rate for wealthy individuals and corporations would cost over \$5 trillion (CBPP, 4/14).
- \$4.8 trillion in program cuts v. \$5 trillion in tax cuts

WHERE DOES FEDERAL TAX REVENUE COME FROM?

Sources of Federal Tax Revenue,* 1945-2013



* "Other taxes" category includes profits on assets held by the Federal Reserve.
Source: Office of Management and Budget

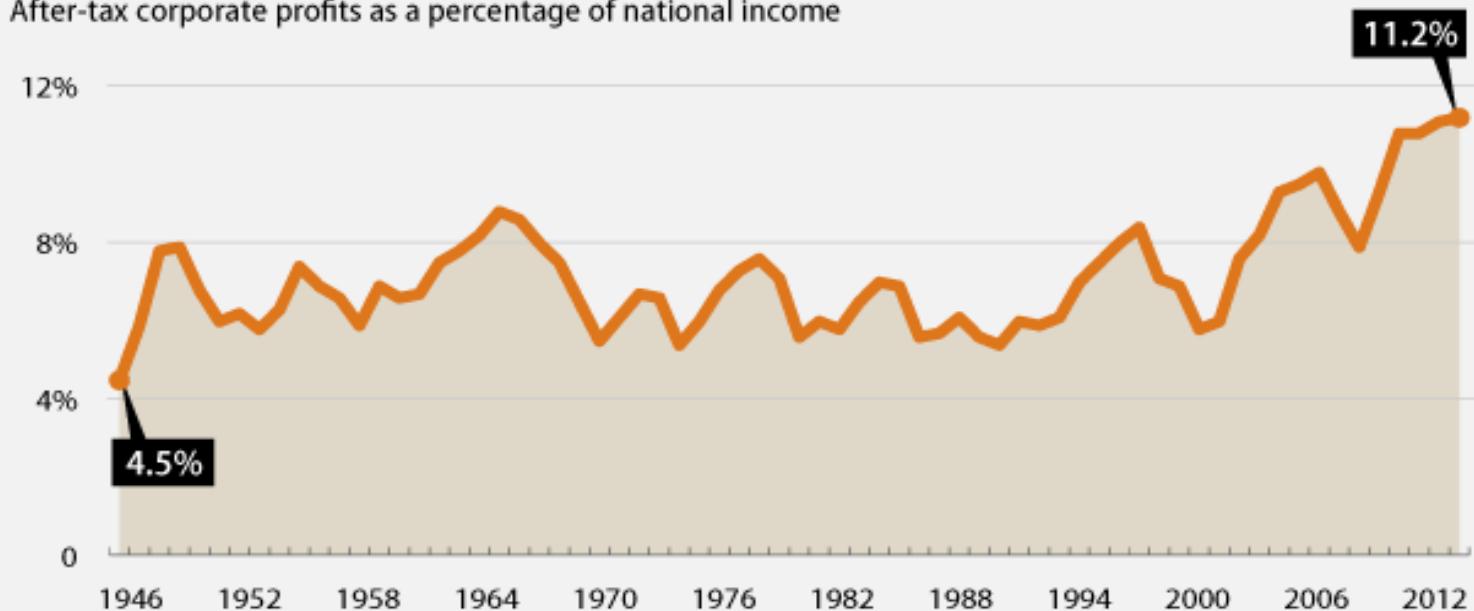
Center on Budget and Policy Priorities | cbpp.org

CORPORATE PROFITS HAVE GROWN...

FIGURE 1

Corporations are capturing a growing share of national income

After-tax corporate profits as a percentage of national income



Source: Bureau of Economic Analysis, "National Income and Product Accounts Tables," Table 1.12, available at http://www.bea.gov/iTable/index_nipa.cfm (last accessed September 2014).

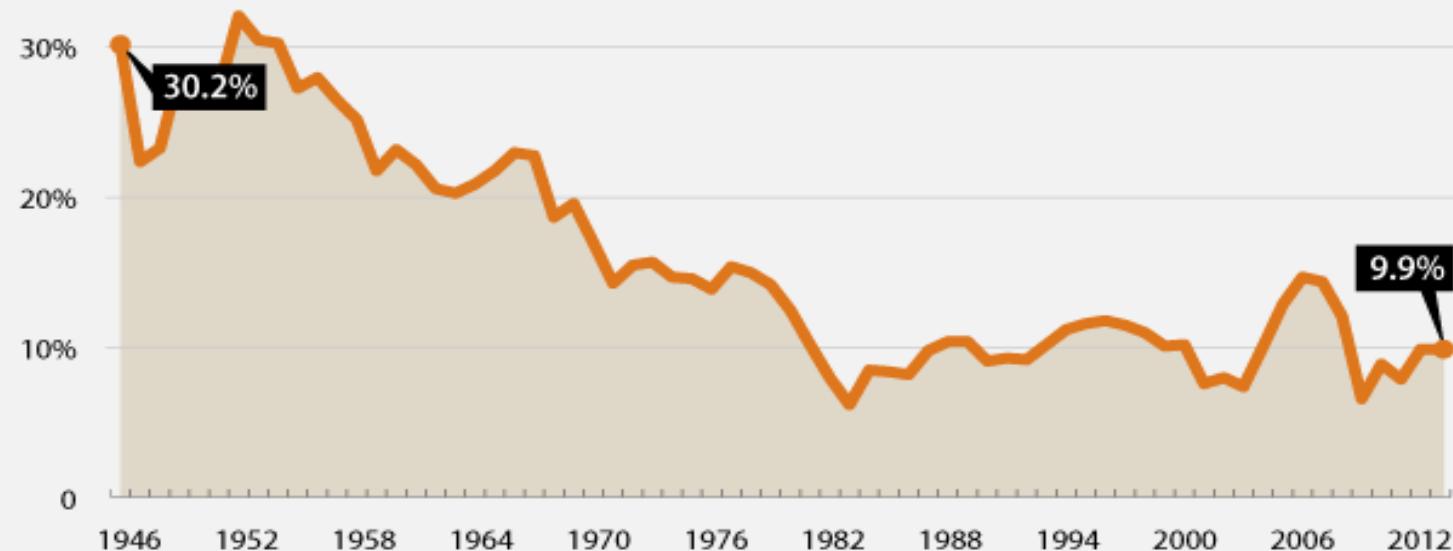
Center for American Progress, 9/14

CORPORATE TAX PAYMENTS HAVE NOT

FIGURE 2

Corporate income taxes are a declining share of total federal revenue

Percentage of total federal revenue from corporate income tax



Source: Office of Management and Budget, "Historical Tables," Table 2.2, available at <http://www.whitehouse.gov/omb/budget/Historicals> (last accessed September 2014).

Center for American Progress, 9/14

WHAT DO CORPORATIONS PAY IN TAXES?

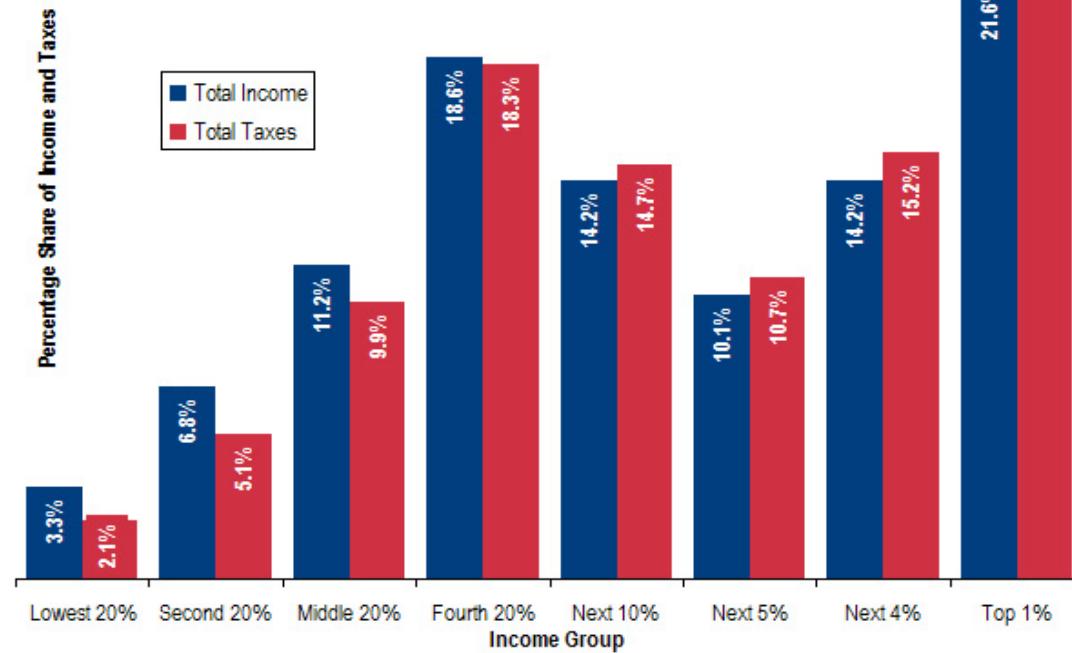
- Few corporations pay the 35 percent top corporate tax rate.
 - The effective tax rate paid by Fortune 500 companies is less than 20 percent (Citizens for Tax Justice, 2/14).
 - 26 companies, including Boeing, General Electric, Priceline.com and Verizon, paid less than ZERO in federal income tax, despite combined pre-tax profits of \$170 billion (CTJ, 2/14).
- U.S. corporations pay a similar—or slightly lower—effective tax rate than corporations in other developed countries (Congressional Research Service, 1/14).

WHO PAYS INDIVIDUAL TAXES?

- It's true--many low- and moderate-income families don't pay *federal income tax*.
 - But they pay other federal taxes (e.g. payroll, gasoline).
 - And state & local taxes (e.g. income, sales, gasoline, property)
- State and local tax systems in all 50 states are regressive: the poor pay a higher percentage of their income in tax (CTJ 1/13). On average:
 - The bottom 20% pay 11.1% of their income in state and local taxes
 - The middle 20% pay 9.4%
 - The top one percent pay 5.6%.
- The EITC and CTC partially offset the regressive impact of other taxes.

HOW MUCH DO INDIVIDUALS PAY IN TAXES?

Shares of Total Taxes Paid by Each Income Group Will Be Similar to their Shares of Income in 2014

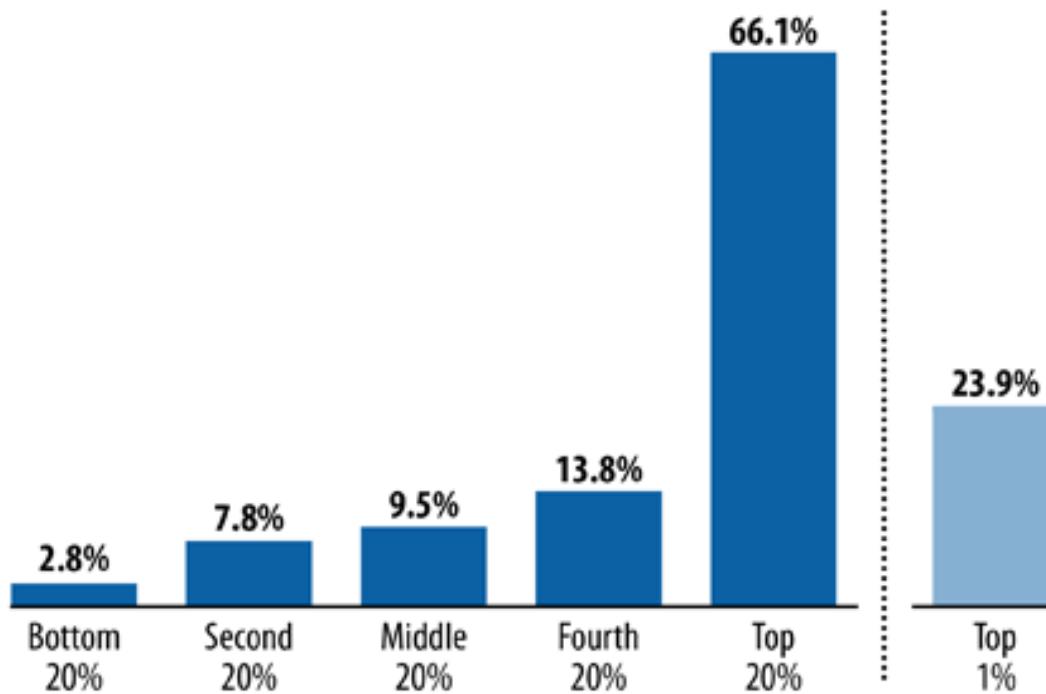


Source: Institute on Taxation and Economic Policy (ITEP) Tax Model, April 2014
Citizens for Tax Justice, April 2014.

WHO BENEFITS MOST FROM TAX BREAKS FOR INDIVIDUALS?

Spending Through the Tax Code Skews Towards the Top

Share of federal individual income tax expenditures, 2011



Source: Tax Policy Center Table T11-0322

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CONGRESS MAY VOTE ON MORE TAX BREAKS FOR CORPORATIONS IN LAME DUCK

- Bipartisan interest in renewing a package of mostly corporate tax breaks (the “extenders”)
- Senate bill (S. 2260, EXPIRE Act)
 - Extends over 50 mostly corporate tax breaks for two years.
 - Cost: **\$85 billion** for a two-year extension
- House voted to make some corporate extenders permanent
 - Cost: **\$500+ billion** over 10 years
 - Gives back 2/3 of the revenue raised by the “fiscal cliff” deal (CBPP, 9/14)



IS THERE A DOUBLE STANDARD?

- Extenders bills would give corporations billions in tax cuts without paying for them, adding to the deficit.
 - In contrast, Congress has demanded that help for people (emergency unemployment, sequester relief) be paid for.
 - Tax reform plan of Rep. Camp (R-MI) would have paid for extenders.
- House voted to make expiring corporate tax breaks permanent, but not the Child Tax Credit and EITC improvements.
 - Letting those expire would push 12 million people, including 8 million children, into or deeper into poverty (CBPP, 7/14).
 - The House voted to permanently increase the Child Tax Credit for upper-income families—and to deny the credit to over 5 million children in immigrant families.

CONGRESS COULD VOTE TO CLOSE CORPORATE TAX LOOPHOLES

- Several major U.S. corporations have announced plans to buy a foreign corporation and renounce U.S. citizenship, avoiding U.S. taxes (“inversion”).
- Bills have been introduced to stop inversions and eliminate other tax breaks for corporations, especially for shipping profits and jobs offshore.
- 76% of Democrats, 69% of Republicans and 80% of Independents disapprove of corporate tax inversions
(Morning Consult poll, 8/14).



IT'S A MATTER OF PRIORITIES

**Tax breaks for corporations that shift jobs & profits offshore
cost more than all of these programs that serve low-income children and families.**



\$5.2 billion
\$8.0 billion
\$18.3 billion
\$24.1 billion

**LAWMAKERS NEED TO GET THEIR PRIORITIES STRAIGHT.
LEARN MORE: NWLC.ORG/OFFSHORE**

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www.nwlc.org

AMERICANS WANT A FAIRER TAX SYSTEM

- 2/3 of Americans don't think corporations pay enough in taxes (Gallup poll, 4/14)
- 8 in 10 want to ensure that U.S. corporations pay as much on foreign profits as they do on profits made in the U.S. (Hart Research for Americans for Tax Fairness, 10/13)
- 6 in 10 think upper-income individuals pay too little in taxes (Gallup poll, 4/14)
- 2/3 want to place a surtax of 5% on income over \$1 million (Hart Associates, 1/13)

FOR MORE INFORMATION

- National Women's Law Center, www.nwlc.org
- Center on Budget and Policy Priorities, www.cbpp.org
- Americans for Tax Fairness,
www.americansfortaxfairness.org
- Citizens for Tax Justice, www.ctj.org



Questions