



TAX & BUDGET

WHAT'S IN THE TAX CUTS AND JOBS ACT OF 2017: PROVISIONS THAT IMPACT WOMEN AND FAMILIES

In December, the President signed the “Tax Cuts and Jobs Act.” At its core, this legislation gives exorbitant tax cuts to millionaires, billionaires, and big corporations, while increasing taxes, on average, for low- and moderate-income families over time. The Trump tax cuts will increase the deficit by approximately \$1.9 trillion over ten years—which the Administration and Republicans in Congress are using to justify cuts to vital programs that are essential to the economic security of women and families.

- **The Trump tax cuts overwhelmingly benefit the wealthy and big corporations.** The new tax law contains numerous provisions that are designed to significantly benefit the rich and big corporations, including lowering top-bracket and corporate tax rates, increasing exemption amounts for the individual Alternative Minimum Tax, expanding exemptions for the estate tax, and creating a deduction for income from pass-through entities. Other changes, like allowing families to use tax-preferred savings in 529 college savings accounts to pay private elementary and high school tuition, will also benefit higher-income families.¹ In 2019, it is estimated that over half of the tax law’s benefits will go to the top 5% of taxpayers.² In 2018, the richest 1% are estimated to receive, on average, an individual income tax cut worth about \$33,000 – while taxpayers with incomes of \$25,000 or less will receive an average tax cut of only \$40.³ By 2027, approximately 83 percent of the law’s benefits will go to the richest 1 percent of households.⁴
- **The Trump tax law undercuts a core component of the ACA.** The new tax law guts the penalty for not complying with the ACA’s individual responsibility provision, a requirement that most people enroll in qualifying health insurance coverage. Estimates from the Congressional Budget Office (CBO) show that gutting the ACA’s individual responsibility provision would increase the number of uninsured by 13 million over 10 years and raise insurance premiums in the individual markets by 10 percent.⁵ As a result, many women (and especially women of color) may once again be forced to forego health insurance, or face high out-of-pocket costs, medical debt, and even bankruptcy, as they too often did before the ACA was enacted.
- **The Trump tax cuts eradicated tax benefits for working women and families with children.** While the new tax law increased the standard deduction, it eliminated personal and dependent exemptions (valued at \$4,150 for the taxpayer and each dependent), capped the deduction for state and local taxes at \$10,000, and eliminated benefits that help workers offset expenses they incur to go to work. These proposals are likely to limit the tax law’s benefits for many families, especially those with more children and those from higher tax states.
- **Over time, millions of families will see their taxes go up under the Trump tax cuts.** One nonpartisan think tank estimates that by 2027, almost 100 million households will pay more in taxes.⁶ This is in part because under the new tax law, most tax benefits for families are temporary, and in part because the law adjusts certain benefits for inflation more slowly than under current law, providing a lower cost of living adjustment each year on average and resulting in a “slowly growing tax increase over time.”⁷



- The Trump tax cuts' changes to the Child Tax Credit leave out the families who need the most help.** While the new tax law doubled the Child Tax Credit (CTC) (from \$1,000 to \$2,000), the expansion only offers modest help to low-income families because it limited the refundable portion of the credit to \$1,400 (in 2018) and did not make the refundable credit fully available to the lowest-income families. About 29 million children under age 17 will not receive the full CTC increase, because their families either have too little in income or owe too little in taxes.⁸ But the law makes families with six-figure incomes eligible to claim the CTC for the first time.

 - While the new tax law increases the amount of the CTC, it only slightly increased the refundability of the credit. As a result, lower-income families will only receive token benefits from the expansion: 10 million children in low-income working families will receive an additional \$75 or less in CTC benefits under the law.⁹ And the CTC expansion, like other individual tax provisions, expires in 2025.
 - In addition, the new tax law adds a new requirement – providing a Social Security Number for each child claimed for the CTC – which will deny the credit to an estimated 1 million children in immigrant families that pay taxes.¹⁰
- The Trump tax cuts' business paid leave tax credit will do little to increase workers' access to paid medical or family leave.** Today, just 15 percent of workers have access to paid family leave and fewer than 40 percent have access to personal medical leave for serious health issues.¹¹ Because the tax law's new paid leave tax credit for businesses only covers a small fraction of companies' upfront costs, it is unlikely to offer an effective incentive for more companies to offer paid leave – especially for smaller businesses. Instead, the tax credit would likely have the effect of subsidizing companies that already do so.¹² And in any event, the credit lasts for only two years – expiring after 2019.¹³ As a result, this paid leave credit simply represents another tax giveaway to large corporations, while failing to guarantee the paid family leave that millions of workers desperately need.
- The impact of some of the Trump tax cuts' new provisions remains unclear.** Because the new tax law was hastily drafted through a highly partisan process with limited opportunity for analysis and debate, the impact of some of its provisions may not be known for some time. For example, one provision of the tax law prohibits the deduction of settlements of sexual harassment or abuse claims that are subject to nondisclosure agreement. While this may have the benefit of discouraging secrecy around sexual harassment or assaults, it may also create disincentives to settle such claims to the detriment of victims. Another provision of the new law prevents alimony payments made under a divorce or separation agreement after 2018 to be deducted from the payor's income, which may likewise discourage spousal support payments.¹⁴ IRS guidance, or technical corrections, may be required to clarify the impact of these and other provisions.
- The Trump tax cuts failed to include tax changes that could have made a real difference to women and their families.** The Administration and Republican leaders in Congress could have boosted the incomes of millions of hard-working individuals above the poverty line by improving the Earned Income Tax Credit for workers who do not claim dependent children in the new tax law – but elected not to do so.¹⁵ Similarly, countless families across the country struggle to afford the reliable, high-quality child care they need to work, and their children need to thrive and succeed at school and beyond. The tax law failed to provide any tax relief for these families by, for example, expanding the Child and Dependent Care Tax Credit and making it refundable.¹⁶
- Since the enactment of the Trump tax cuts, the Administration and Congressional Republicans have proposed draconian budget cuts that hurt all of us.** For example, President Trump's budget proposal seeks to slash funding for the Supplemental Nutrition Assistance Program (SNAP) and the Housing Choice Voucher program, as well as change the structure of these programs in ways that will have devastating effects on women and families. The Administration has already approved legally suspect state Medicaid waivers that undermine the core purpose of the program and will result in people losing health insurance coverage. And Congress may introduce legislative proposals that would cut benefits and restrict access to other programs, or reduce spending on discretionary programs altogether (for example, through a so-called Balanced Budget Amendment).

No matter what the President and Congressional Republicans say, the Tax Cuts and Jobs Act delivers enormous tax benefits to millionaires, billionaires, and big corporations at the expense of women and their families.



- 1 See, e.g., Katie Lobosco, *Why the GOP Tax Bill Is a Win for Betsy DeVos' Agenda*, CNN MONEY (Dec. 20, 2017), <http://money.cnn.com/2017/12/20/pf/private-school-529-tax-bill/index.html>.
- 2 INST. FOR TAX'N AND ECON. POL'Y, THE FINAL TRUMP-GOP TAX PLAN: NATIONAL AND 50-STATE ESTIMATES FOR 2019 & 2027, *available at* <https://itep.org/finalgop-trumpbill/>.
- 3 See TAX POL'Y CTR., THE EFFECT OF THE TCJA INDIVIDUAL INCOME TAX PROVISIONS ACROSS INCOME GROUPS AND ACROSS THE STATES 2, (March 28, 2018), *available at* http://www.taxpolicycenter.org/sites/default/files/publication/154006/the_effect_of_the_tcja_individual_income_tax_provisions_across_income_groups_and_across_the_states.pdf.
- 4 See TAX POL'Y CTR., DISTRIBUTIONAL ANALYSIS OF THE CONFERENCE AGREEMENT FOR THE TAX CUTS AND JOBS ACT 5 & Tbl. 3 (Dec. 15, 2017), *available at* http://www.taxpolicycenter.org/sites/default/files/publication/150816/2001641_distributional_analysis_of_the_conference_agreement_for_the_tax_cuts_and_jobs_act_0.pdf.
- 5 See CONG. BUDGET OFFICE, REPEALING THE INDIVIDUAL HEALTH INSURANCE MANDATE: AN UPDATED ESTIMATE 1 (Nov. 2017), *available at* <https://www.cbo.gov/system/files/115th-congress-2017-2018/reports/53300-individualmandate.pdf>.
- 6 NWLC calculations based on TAX POL'Y CTR., TABLE T17-0321 – MAJOR PROVISIONS IN CONFERENCE AGREEMENT: THE TAX CUTS AND JOBS ACT, TAX UNITS WITH A TAX INCREASE OR TAX CUT, BY EXPANDED CASH INCOME LEVEL, 2027 (Dec. 18, 2017), *available at* <http://www.taxpolicycenter.org/model-estimates/conference-agreement-tax-cuts-and-jobs-act-dec-2017/t17-0321-major-provisions>.
- 7 See INST. FOR TAX'N AND ECON. POL'Y, *supra* note 2; see also DAVID KAMIN, HOW A TAX CUT TURNS INTO A TAX INCREASE (Nov. 2, 2017), <https://medium.com/whatever-source-derived/how-a-tax-cut-turns-into-a-tax-increase-960c32d1ba82>.
- 8 ELAINE MAAG, TAX POL'Y CTR., WHO BENEFITS FROM THE CHILD TAX CREDIT NOW? 1 (Feb. 15, 2018), *available at* http://www.taxpolicycenter.org/sites/default/files/publication/152986/who_benefits_from_the_child_tax_credit_now_2.pdf.
- 9 CHYE-CHING HUANG, CTR. BUDGET & POL'Y PRIORITIES, FINAL CTC CHANGES DON'T ALTER TAX BILL BASICS: 10 MILLION WORKING FAMILY CHILDREN GET LITTLE OR NOTHING (Dec. 15, 2017), <https://www.cbpp.org/blog/final-ctc-changes-dont-alter-tax-bill-basics-10-million-working-family-children-get-little-or>.
- 10 JACOB LEIBENLUFT, CTR. BUDGET POL'Y PRIORITIES, TAX BILL ENDS CHILD TAX CREDIT FOR ABOUT 1 MILLION CHILDREN (Dec. 18, 2017), <https://www.cbpp.org/blog/tax-bill-ends-child-tax-credit-for-about-1-million-children>.
- 11 See, e.g., Abby McCloskey, *Tax Reform Is No Place for Paid Leave*, NAT'L REV. (Sept. 21, 2017), *available at* <http://www.nationalreview.com/article/451556/paid-leave-tax-reform-best-handle-them-separately>.
- 12 See *id.*
- 13 26 U.S.C. § 45S(i) (2018).
- 14 See, e.g., Jennifer Peltz, *Exes and Taxes: How Tax Overhaul Would Alter Alimony*, USA TODAY (Dec. 24, 2017), *available at* <https://www.usatoday.com/story/money/taxes/2017/12/24/exes-and-taxes-how-tax-overhaul-would-alter-alimony/976413001/>.
- 15 See, e.g., CHUCK MARR, CHYE-CHING HUANG, CECILE MURRAY & ARLOC SHERMAN, CTR. BUDGET & POL'Y PRIORITIES, STRENGTHENING THE EITC FOR CHILDLESS WORKERS WOULD PROMOTE WORK AND REDUCE POVERTY: IMPROVEMENT TARGETED AT LONE GROUP TAXED INTO POVERTY (April 11, 2016), *available at* https://www.cbpp.org/research/federal-tax/strengthening-the-eitc-for-childless-workers-would-promote-work-and-reduce#_ftnref1.
- 16 See, e.g., NAT'L WOMEN'S LAW CTR., IMPROVING THE CHILD AND DEPENDENT CARE TAX CREDIT WOULD HELP WORKING FAMILIES WITH THE HIGH COST OF CHILD CARE (July 2017), *available at* <https://nwlc-ciw49tixgw5lbab.stackpathdns.com/wp-content/uploads/2016/02/Improving-the-CDCTC-Fact-Sheet.pdf>.

