



A Union of Professionals

American Federation of Teachers on Tax Reform

A healthy and vibrant economy depends upon a federal tax system that raises sufficient revenue to adequately provide for the education, healthcare, safety, infrastructure and social safety net that give Americans the opportunity they want and deserve. **Any tax reform must improve working people's lives, make the tax system fairer, and protect adequate revenues for necessary government responsibilities and investments.**

President Trump and congressional Republicans are advancing proposals that would make the tax code less equitable and undermine investment in the safety, security and well-being of most Americans. Specifically, the GOP proposals would:

- Eliminate the state and local tax deduction, which allows Americans to deduct from their federal taxes the amount they paid in taxes to their states and localities.
- Provide 80 percent of the tax benefits to the top 1 percent of earners.
- Eliminate the estate tax, which allows the super wealthy (those with estates valued at more than \$5.5 million) to inherit tax-free fortunes.
- Benefit large corporations by cutting corporate taxes; lowering rates on “pass-through” income that allows hedge funds, real estate firms and the like to lower their taxes; and permitting corporations to skip paying taxes on profits made offshore.
- Pay for these tax cuts for the wealthy by cutting funding to Medicare, Medicaid and nutrition services. In all, this tax plan would cut government revenue by \$2.4 trillion over 10 years, likely leading to massive cuts in public services.

Comprehensive tax reform must ensure that:

The state and local tax deduction must be preserved so that public services are supported.

States and local governments are responsible for local law enforcement, schools, emergency and many other services as well as funding long-term infrastructure projects. Eliminating or capping federal deductibility for state and local taxes would put funding for these vital services at risk. Nearly 44 million Americans in all 50 states currently use the state and local tax deduction.

Large corporations and Wall Street pay their fair share of taxes. Instead of providing incentives for Wall Street to offshore jobs and profits, or for businesses to “pass through” their earnings in order to pay a lower tax rate, Congress should close tax loopholes that allow corporate tax

The **American Federation of Teachers** is a union of professionals that champions fairness; democracy; economic opportunity; and high-quality public education, healthcare and public services for our students, their families and our communities. We are committed to advancing these principles through community engagement, organizing, collective bargaining and political activism, and especially through the work our members do.

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avoidance. Average Americans don't use accounting gimmicks to stash their wages offshore while they lobby Congress to provide them a sweetheart deal to avoid taxes. Corporations shouldn't get to either.

Tax cuts for the wealthy and corporations must not be paid for by cuts to Medicare, Medicaid, education and other vital programs. Congressional budget resolutions moving through the House and the Senate make it clear: Tax reform will be paid for by slashing funding to federal student aid, nutrition assistance, Medicaid and other important programs. We oppose these cuts.

The richest Americans pay their fair share of taxes. Under the Trump tax plan, by 2027, the richest 1 percent of Americans would get an average annual tax cut of \$207,000, on average. Similarly, Republicans would repeal the tax on estates worth over \$5.5 million. This would benefit only the 5,500 wealthiest families in America. We reject such proposals.

The irony is that after years of railing against spending on investments and social safety net programs because they would increase the debt or deficits, the Republicans have proposed changes to the tax code that would explode the nation's debt. And deficit hawks like the Koch brothers who have used that argument to starve schools are stunningly silent.