



TO: Interested Parties
FR: Not One Penny
RE: **Response to Republicans' plan for Round II on taxes**
DT: July 24, 2018

Democrats are extremely well positioned to win a second round on taxes. If the Republicans are foolish enough to pick another fight geared towards enriching the wealthy while working families struggle, here is how Democrats will win it:

1. **Recognize that "Round 2" is not very different from "Round 1."** The GOP tax bill's changes to the individual income tax code are nearly as skewed to the rich as the overall package. It's a mistake to assume "individual tax cuts" equate to middle class tax cuts. "Round 2" only further codifies what Round 1 did. It's making tax cuts for rich people permanent and does so at the expense of programs that benefit working Americans.

	Original Tax Scam	Round 2
Share going to top 5%	49%	49%
Share going to the bottom 60%	14%	12%
Average tax cut for the top 1% (first year)	\$48,000	\$29,000

Source: *Institute for Taxation and Economic Policy*

2. **Rely on the powerful messages that won over the public opinion the first time around.** This fight is exactly the same as the fall. When the tax fight is front and center, the public sides with Democrats. And the [Republican tax law has grown more unpopular](#) since January, despite Republicans and their allies spending [millions to prop up the law](#). Here are the messages that resonate:
 - We should not be cutting even more taxes for rich people. The tax code is already skewed towards the wealthy, the original GOP tax bill made it worse, and now they want to give a second round of tax cuts to millionaires and billionaires.
 - Cutting taxes for the rich costs hundreds of billions of dollars and puts Social Security, Medicare and Medicaid at further risk. Republicans have already starting using the debt they ran up in Round 1 to argue for cutting these vital programs.
3. **Emphasize what a failure the Trump tax cuts have been so far.** Wages are down, while stock buybacks are up. Paul Ryan touts a \$1.50 a week increase in take home pay for a secretary, while the Pfizer CEO buys himself "Sky Villa."



“Round 2” Strategy and Messaging

[Recent media reports suggest](#) that some Congressional Republicans are considering a “Round 2” for tax legislation. The Tax Cuts and Jobs Act, known colloquially as the TrumpTax or the GOP tax scam, which was enacted in December, contained enormous permanent tax cuts for corporations, and smaller, though still significant tax cuts for individuals. However, most of the individual provisions sunset after 2025. Some Republicans in Congress have started to realize that their vote for an historically unpopular tax law that was skewed heavily to the wealthy and has thus far failed to generate any significant benefits for everyday families might be politically damaging. They are hoping that a vote on making those individual tax cuts permanent can help them “get clean” with their angry constituents, and, simultaneously, put Democrats in what they hope is the awkward position of either opposing tax cuts for individuals or supporting a permanent extension of something they fought against just a few months ago.

Fortunately for Democrats and progressives, “Phase 2” is far more likely to cause further political pain to Republicans. [Recent Monmouth polling](#) already has shown the Republican tax bill has become even more unpopular, with 41 percent of Americans disapproving of the law and 34 percent approving. Republicans are trying to re-litigate an issue that they’ve already lost significant ground on, which puts Democrats in a unique position to easily win the message war over a second round of Republican tax legislation, and furthermore, returning the issue to center stage will reopen the wounds that made the original bill so incredibly unpopular when it was passed.

Moreover, the lived experience of the last 6 months gives Democrats ample evidence to paint the TrumpTax law as yet another failing experiment in trickle-down economics. We’ve already seen what the first Republican tax bill has done for rich, despite promises from Donald Trump and congressional Republicans that the [measure would overwhelmingly benefit working families](#). Economists have begun to [voice skepticism](#) about the economic boost the tax plan will achieve for the overall economy. [Small businesses have felt the squeeze](#), while big banks have [posted record profits](#) and companies have engaged in [record stock buybacks](#) for their wealthy shareholders. Recent findings have shown that workers’ wages have remained [stagnant](#) or [declined](#), despite assurances that the tax measure would [lead to enormous wage growth](#). And perhaps most notably, even wealthy members of Congress that voted for the plan have used the measure for [their own personal gain](#).

With all that in mind, the strategy for Democrats in attacking Round 2 of tax cuts for the rich should start by recalling that that Democratic opposition to the original GOP tax scam was centered on two important and powerful arguments:

- 1. The tax bill is skewed to the very rich, bestowing enormous benefits on the wealthiest people in the country.**
- 2. Trillions in tax cuts will undermine Social Security, Medicare, and Medicaid.**



Both of these messages are persuasive and “sticky.” They were, at the time of passage, and remain the biggest concerns that American voters have regarding the Republican tax plan. Importantly, ***both of these arguments apply equally to “Round 2.”*** Democrats should make the same arguments against a second round of tax cuts as they did against the first. Remember, though Republicans decided to ignore public opinion, those same arguments in October, November, and December did win the day with the *public*.

Secondly, ample evidence suggests that when the tax fight takes center stage, Democrats win with voters. This was true last fall, when the news was dominated by a back and forth over the law and the public came down decidedly against the law. It was also true in Pennsylvania-18. When Republicans tried to make that election about taxes, they found an unreceptive audience, even in a Trump +20 district. By the end of that election, there were more ads running that [criticized the tax law than supported it](#). And it’s true now, as just 34 percent of Americans said they approve of the Republican tax plan, compared to 41 percent who disapprove. Bringing the tax fight back into the spotlight is an opportunity for Democrats to remake their case against the Republican economic priorities, a case the American people agree with.

And finally, Democrats now have a variety of evidence – economic and otherwise – to prove that the first round of tax cuts has, so far, been an utter failure. President Trump promised workers a \$4,000 wage increase. Instead, wages have actually declined since last year. The Republican Congress told voters their tax cuts were mainly for the middle class. But then Paul Ryan touted the \$1.50 a week received by a Pennsylvania secretary. Conservatives insisted their tax plan wasn’t going to help rich people very much. And on the day he voted for the plan, one Republican House Member went out and bought himself a yacht to celebrate.

The bottom line is that Democrats should welcome another debate about taxes even if the first instinct is to shy away from it. If the Republican Congressional leadership is so foolish as to bring up another round of tax cuts for rich people, Democrats can comfortably pillory them, and, again, ask why working families always seem to be at the bottom of the Republican priority list.

“Round 2” is not very different than “Round 1”

The individual income tax changes in the Trump tax law are nearly as skewed to the richest Americans as the original overall package. [According to the Tax Policy Center](#), about 43 percent of the total benefit of the tax cuts goes to the richest 5 percent of Americans. For just the individual income tax changes, that share is 40 percent. According to the Institute for Taxation and Economic Policy, extending the expiring income tax provisions would deliver an estimated tax cut of about \$30,000 for those in the richest 1 percent in 2026, compared to a tax cut of less than \$300 for the bottom 60 percent of Americans. In other words, Round 2 of the Republican tax bill is just like Round 1.



This is not surprising. In the original bill, there were five major tax cuts that primarily or exclusively benefitted very rich people:

1. **New deduction for “qualified business income”**
2. **Reduction in the Alternative Minimum Tax**
3. **Lower top income tax rates**
4. **Higher estate tax exemption**
5. **Corporate tax cut**

Of these, only the corporate tax cut was made permanent. That means an extension of the expiring elements of the Trump tax law will include *four of the five same major tax cuts for rich people* as the original bill. And that is even before Republicans decide to add even more tax cuts for rich people.

Furthermore, extending the individual provisions would also extend the tax *increases* for many everyday families that were contained in “Round 1.” Recall that, according to the Joint Committee on Taxation, in 2025, *before* the individual provisions expire, 24 million households will be paying more in taxes than they did under the old law, and another 59 million get essentially no tax cut at all. An extension of the individual provisions is an extension not only of further tax cuts for rich people, it is also an extension of tax increases for many.

Finally, just as with Round 1, extending the Trump Tax cuts would cause enormous revenue loss that will inevitably put Social Security, Medicare, and Medicaid at risk. According to the official score, the individual provisions of the original law cost roughly \$140 billion a year. The [Congressional Budget Office](#) estimates that extending the expiring provisions in the law would cost roughly \$750 billion in additional lost revenue in 2026, 2027, and 2028 alone.

Do not be confused. The individual income tax provisions that the Republicans want to permanently extend are no more “for the middle class” than the original bill. These are not “middle class tax cuts.” This is merely an extension of policy that dramatically favors the very rich. Democratic objections to Round 1 apply just as much to Round 2.

Messages that work for “Round 2”

Though Republicans did successfully ram through their package of tax giveaways to the rich in December, they did so over the objections of the American people. At the time of its passage, the bill was historically unpopular, polling at an average of just [33 percent](#) support across 10 public polls conducted in December. After spending millions of dollars attempting to sell the tax law to the American public after its historically low polling in December, today, the measure has just a 34 percent approval rating, just one point up from December 2017. The biggest concerns that voters had about the Trump tax bill was that it unfairly helped the rich and that it would threaten Social Security, Medicare, and Medicaid while enriching wealthy corporations even



further. Those concerns are as resonant today as ever.

Polling from Quinnipiac University in December found that [65 percent](#) believed the wealthiest Americans would benefit the most from this tax law, versus just 21 percent who said the same for the middle class. Even more striking, [61 percent](#) agree that the plan favors the rich at the expense of the middle class. In another survey conducted by [Global Strategy Group on behalf of Not One Penny](#) in Senate battleground states last October, even in a significantly more conservative electorate than the nation as a whole (Trump +13 versus Clinton +2), about three-fourths of all voters in these states expressed doubts about the tax plan on the grounds that the tax cuts would be paid for by deep cuts to Medicare and Medicaid, and because the tax plan would disproportionately benefit the rich and well-connected.

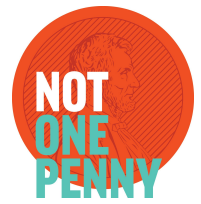
Voters still believe that the law mainly benefits the rich. In a recent [Associated Press-National Opinion Research Center](#) poll conducted in March, 77 percent believe that large corporations would benefit from the tax law and 73 percent said the same for wealthy individuals and families, but only 42 percent believe that it will benefit the middle class and even fewer – 36 percent – think they will personally benefit.

In fact, there is enormous evidence that voter opinion on the tax law is remarkably soft, and the more they think about, and the more they hear about it, they less they like it. In a poll conducted by [GBA Strategies for Not One Penny](#) in February, support and opposition were relatively split (40 percent support compared to 44 percent oppose), but there was significantly higher strong opposition to the tax law (33 percent) than there was strong support (21 percent). Voters in this survey exposed to progressive messaging moved significantly more against the plan (net 26 points against) than voters exposed to conservative messaging (net 15 percent for).

Furthermore, Democratic messages about the tax law beat Republican messages on the tax bill every time. Recent polling for [Americans for Tax Fairness and several other groups conducted by Hart Research Associates and Global Strategy Group](#) in March found that when a message focused on the huge cuts Republicans are proposing to Medicare, Medicaid, Social Security, and education beats a conservative message focusing on the benefits of the tax law by a 20 percentage point margin. A message focused on CEOs and wealthy shareholders getting most of the benefit compared to conservatives arguing that companies are announcing bonuses and wage hikes wins by a 16 percentage point margin.

Fundamentally, Democrats and progressives were able to successfully break through on the tax issue with two simple messages:

- 1. We should not be giving any tax cuts to rich people**
- 2. We should not be putting Social Security, Medicare, and Medicaid at risk -- period. And especially not with unpaid-for tax cuts geared towards the wealthy.**



Both of these messages will work just as effectively in “Round 2” and Democrats need not overcomplicate things or reinvent the wheel.

Sample Message: Republicans rammed through enormous tax cuts for rich people and wealthy corporations back in December. They chose to make corporate tax cuts permanent, and now they want to come back and make the tax cuts for rich people permanent too.

Sample Message: The last thing we need is yet another giant tax cut for rich people at the expense of the middle class. “Round 2” is exactly that, delivering tens of thousands of dollars in new tax cuts for the top 1 percent while putting Social Security and Medicare at risk. In fact, Republicans have already started using the debt they ran up in Round 1 as an excuse to cut these vital programs.

Sample Message: Why is it so hard for Republicans to help middle class families without also delivering boondoggles to billionaires? It’s not that complicated. Just follow this one simple rule: Not one penny in tax cuts for the rich. If Republicans can do that, we’ll be on board.

“Round 2” in Context

The major difference between Round 2 and Round 1 is that Republicans will be unable to pass Round 2 without at least nine Democratic senators going along. That means there are only two real possibilities about Republican intentions. First, and most likely, Republicans do not expect to actually pass “Round 2” and are purely interested in a show vote and trying to gain some messaging advantage. Second, there is the outside chance – however slim – that Republicans are genuinely interested in passing a second tax bill, potentially combining a permanent extension of the individual income tax provisions with a variety of fixes to the original bill (since the law was riddled with mistakes) or other new changes to the code. In either case, Democrats would be wise to maintain a united front, as they did in the fall.

If Republicans are only interested in a messaging battle, then Democrats need only welcome it, since they will win. As described above, the public is not clamoring for another round of tax cuts for rich people. The public is predisposed toward believing that Republicans want to cut taxes for the wealthy, and they think the original law was already too tilted to the very wealthy. If Republicans really want to go with a message that implicitly admits that the first round of tax cuts was only for rich people, then they should do that. Democrats must avoid using Republican framing of “Round 2” (i.e. do not refer to the individual income tax provisions as “middle class tax cuts – they aren’t) and lean back into their two main arguments, which, as we’ve documented, the public is already predisposed to believe. If Republicans are sincerely interested in trying to pass new tax legislation, in part to clean up the mess they made the first time around, then Democrats have the leverage and they should use it.

Fundamentally, pursuing a second round of tax cuts is an admission that the first round was a failure to comprehensively and fairly reform the tax code (and certainly a failure to produce



political benefits). That is a characterization of the Republican tax law that a clear plurality of voters already shares, and another large portion of voters strongly suspects. This is an opportunity for Democrats and progressives to re-engage on a fight for public opinion that they won handily in December, except this time with the last seven months of evidence that more tax cuts for the rich will do nothing for everyday people.