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The Payback Campaign Slams New Pence and Toomey WSJ Op-ed For Rewriting History on the Tax Cuts and Jobs Act

The campaign released a corrected version of the op-ed exposing the true impact of the 2017 tax law, and how extending it would devastate working families and the economy

WASHINGTON–In an attempt to rewrite history, former Vice President Mike Pence and former Senator Pat Toomey (R-PA) published an op-ed in The Wall Street Journal riddled with inaccuracies about the impact of the failed Tax Cuts and Jobs Act (TCJA).

The Payback Campaign decided to lend a hand and set the record straight about the true consequences of the TCJA, and how extending the 2017 law would devastate working families and stall economic growth.

If ~~Republicans~~ The Rich ~~Don't~~ Win More Tax Cuts, Get Ready for ~~a Tax Hike~~ Higher Prices And Widening Inequality

The 2017 Tax Cuts and Jobs Act ~~helped produce the Trump~~ failed to produce an economic boom. Many provisions should expire on schedule in 2025.

By Mike Pence and Pat Toomey, Corrected by The Payback Campaign

The 2017 Tax Cuts and Jobs Act is~~n't~~ broken and ~~doesn't~~ desperately needs fixing. The law enriches the ultra-wealthy and major corporations while doing little for regular Americans. In fact, the poorest tax filers are actually going to be worse off in 2026 than they were in 2016, thanks to changes that Republicans made to how inflation is calculated in the tax code. ~~But~~ While many of its provisions are set to expire in 2025—and Democrats are ~~threatening~~ promising to let it happen—Congress should go further and repeal even those provisions that weren't given expiration dates. Extending or doubling down on the deeply flawed law ~~That~~ would deliver a serious blow to the U.S. economy, rewarding corporations for price-gouging, making inflation worse, exacerbating wealth inequality, and undermining the economic gains ~~the legislation prompted~~ made after the pandemic.

Recall what Donald Trump inherited in 2017. The economy ~~remained weak almost a decade~~ was growing year after year thanks to the Obama-era recovery efforts after the 2008-09 financial crisis. A simple glance at the Fed data makes clear that the Obama years had offered ~~only lethargic recovery, and amid weak growth from 2009 to 2016 the~~

~~Congressional Budget Office still painted a bleak economic picture~~ a steady recovery. Positive trend lines that started under Obama continued uninterrupted until the pandemic in 2020 — with no visible impact from the 2017 tax cuts.

That was ~~due in large part to~~ in spite of our outdated and inefficient tax code, which ~~put American workers and businesses at a competitive disadvantage with most of the world~~ already privileged the ultra-wealthy and major corporations, many of whom were able to avoid paying any federal income taxes at all some years, even before enactment of the TCJA. The ~~nearly 39%~~ statutory corporate tax rate, 35% federally, ~~and around 4% on average at the state level~~ obscured the fact that the effective rate was ~~the highest~~ in the middle of the pack among member countries of the Organization for Economic Cooperation and Development, and lower than both Japan and the United Kingdom.

Many American multinational companies kept foreign subsidiaries' profits overseas, ~~to avoid punitive U.S. taxes~~ taking advantage of costly loopholes that allowed them to defer taxes until they brought their profits home on paper. Others moved their headquarters abroad to reduce their overall tax burdens. These so-called corporate inversions were economically rational, but they cost the U.S. jobs, investment and tax revenue.

The TCJA ~~changed~~ doubled down on this ~~dramatically~~ legal corporate tax dodging by reducing the federal corporate rate to 21%, and giving U.S. corporations with ~~modernizing the taxation of profits earned by~~ foreign subsidiaries an incentive to keep their profits and investments offshore ~~of U.S. companies, and broadening the profit base on which lower rates apply~~. In fact, under the TCJA, corporate profits claimed in certain small tax haven countries often exceed those countries' entire annual GDPs several times over. American businesses, always ~~quickly became~~ globally competitive ~~again~~, quickly used their new tax savings to funnel billions of dollars to their shareholders — including many foreign owners who pay no U.S. taxes at all — through stock buybacks. What the vast majority didn't do was invest in their workers, new research and development, or new factories here at home. ~~corporate inversions ground to a halt, and nearly $2.5 trillion of previously stranded earnings were invested back in the U.S.~~

Domestically, the legislation created a 20% tax exemption on income predominantly earned by billionaires' pass-through firms while doing little for most small and medium-size businesses. It also nearly doubled the estate and gift tax exemption — a massive giveaway to only the very richest households, by definition — and it reduced rates for ~~all individuals and~~ the very wealthiest families while providing pennies to the poorest families and even pushing certain tax filers into higher brackets. At the same time, it ~~simplified their tax filings by increasing the standard deduction, meaning that 90% of Americans no longer need to itemize~~ eliminated personal exemptions, raised taxes on many immigrants with legal work status, and hurt many middle-class families who had previously been able to deduct their small-dollar charitable contributions — including religious tithes — while still taking their personal exemptions.

The results were incontrovertible: ~~Within two years, the U.S. gained an extraordinary seven million jobs and achieved the lowest unemployment rate in half a century. Unemployment rates for African-Americans, Asian-Americans and Hispanics reached record lows~~It's nearly impossible to find evidence that the 2017 tax law impacted unemployment — including unemployment for Black workers and other workers of color — the gross national product or wage growth, which actually slowed in 2018 and 2019.

~~Starbucks, Chipotle and many other corporations boosted hourly pay, provided bonuses and introduced new benefits, such as higher matching contributions to 401(k) retirement plans.~~ Starbucks failed to boost hourly pay above the federal poverty line — $12,880 in 2021 when Starbucks workers' median income was just $12,400 — all while showering its top executives, board of directors, and shareholders with cash saved from its 5.8% effective corporate tax rate in 2020. Chipotle and many other corporations similarly failed to use their tax savings on their workers. Instead, the company kept wages low until a tightening labor market during the pandemic forced them to increase wages, which the company then promised to pass along to customers via higher prices in spite of their enormous tax savings from the 2017 law. In fact, wage growth slowed and bonuses *fell* after passage of the TCJA.

Small businesses were largely left behind by the TCJA, with most of the misnamed "small business" tax deductions actually flowing to large businesses and their wealthy owners. ~~flourished, too, and many reported significant growth for the first time.~~ Not surprisingly, less than a year after the TCJA's enactment, the highly-partisan National Federation of Independent Business — which has accepted millions of dollars from corporate- and billionaire-funded sources in recent years — reported that their small-business optimism index hit the highest level ever recorded. In contrast, the Small Business Majority testified this January about the need to repeal the TCJA's corporate provisions, which harm true small businesses.

Real median household income — the statistical definition of a middle-class family — increased by nearly $5,000 in two years, consistent with the pre-TCJA trend. Deeply troubling, however, was the decline in real median household income in 2019, a full year before the pandemic. More than six million people were lifted off food stamps, and incomes rose in every metropolitan area in the U.S. for the first time in nearly three decades — again, not because of the TCJA, but rather as a straightforward continuation of Obama-era trends. New growth was so insignificant relative to the promises made by the law's champions that government revenue as a percentage of gross domestic product fell from 18% in 2016 to 16% in 2018 and 2019. ~~increased, driven by higher earnings and booming business activity~~.

More than six years after the TCJA took effect, tax revenue has *not* exceeded CBO projections from June 2017. Even the right-leaning Committee for a Responsible Federal Budget notes, "Total real revenue in 2023 was $3.6 trillion, well below CBO's pre-TCJA projection of $3.9 trillion and even somewhat below its post-TCJA projection of $3.7 trillion."

That the revenue shortfall isn't even deeper is thanks to the 2017 tax law's *few* corporate tax increases, which began taking effect in 2022. These increases, such as changing when companies can deduct their research expenses and limiting how much interest they can deduct, are the same provisions that congressional Republicans are currently trying to repeal. By 2023 annual tax revenue had recovered from the Covid-19 recession, thanks in big part to the remarkable economic growth driven by Democrats' COVID recovery efforts~~, and returned to its historical average of about 16.5% of GDP~~.

It's clear that today's ballooning deficit stems ~~not~~ from insufficient taxation, ~~but~~ not from a massive surge in spending. In fact, spending is down relative to Clinton-era budget predictions, but *revenue is down much more*. President Biden and congressional Democrats want to spend more, which would ~~lead to the highest sustained levels of spending as a percentage of GDP in American history~~ restore spending as a share of GDP to historical norms. Democrats' proposed tax hikes on the wealthy and corporations are ~~un~~likely to generate the revenue to pay for these plans — ~~but they might tip the economy into a long-awaited recession~~ while also boosting the economy.

The TCJA was the ~~most~~ least successful tax reform in at least 30 years, overwhelmingly tilted to favor the ultra-wealthy and corporations at the expense of working families. Ideally, Democrats would join with Republicans to ~~make all of it permanent. If not, we'll have to rely on a Republican sweep in November — and Republican unity next year — to extend it for as long as possible~~ repeal the entire law and pass a tax reform that would raise the revenue we need, cut the racial wealth gap, and help low-income workers and families more than billionaire GOP donors.

Mr. Pence served as vice president of the United States, 2017-21. Mr. Toomey, a Republican, served as a U.S. senator from Pennsylvania, 2011-23. The Payback Campaign believes that the expiration of key TCJA provisions offers policymakers a unique opportunity to address the long-standing inequities in our tax code and build an economy that works for all Americans.