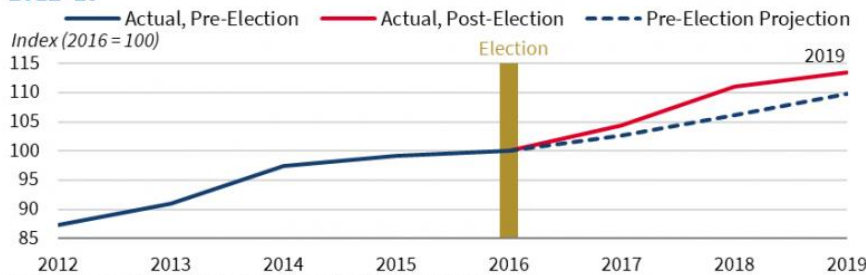


**NEBRASKA TAXPAYERS FOR FREEDOM ISSUE PAPER:  
TRUMP TAX CUTS HELP NEBRASKANS.**

**BACKGROUND.** The 2017 Trump federal tax cuts have stimulated economic growth and lowered individual corporate taxes in the largest tax cut in American history. Since passage, U.S. multinational companies have returned \$1 trillion in overseas earnings previously invested overseas. Although all the economic benefits will require more time to materialize, Trump projections largely ring true. The Trump administration also has sought to make the individual tax benefits permanent beyond their 2025 expiration date.

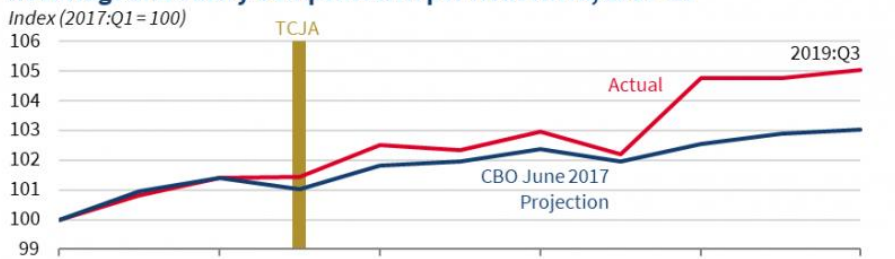
**BUSINESS BOOM.** One tax provision permits businesses to immediately and fully deduct the cost of new capital investment, allowing them to invest more in operations. Investment levels have grown much higher than before the 2016 election. 2018 investment was 4.5% higher than projections; 2019 investment was 3.3% higher than projections, with capital stock racing to expand across every major asset classification, like equipment. Moreover, the tax cut offered desperately needed tax relief to small businesses by allowing specific pass-through entities to deduct 20% of their qualified business income. Over 80% of small companies believed the cuts greatly helped our economy and benefited their own businesses.<sup>1</sup> The lower corporate tax rate actually estimated to increase average U.S. household income by \$4,000 over 5 years, boosting household disposable income. Real disposable personal income per household has risen by \$6,000 since 2017. Former Federal Reserve Chairman Alan Greenspan states that the tax cut drives the stock market and that economists are underestimating its impact. Interest rates are at the lowest levels, he continued.<sup>2</sup> Every congressional district will enjoy tax benefits.

**Nonresidential Private Fixed Investment Actual vs. Pre-TCJA Projection, 2012-19**



Sources: Bureau of Economic Analysis; Blue Chip; CEA calculations.  
Note: Pre-TCJA projection represents the Blue Chip consensus forecast from October 2016. 2019 value represents the annualized value of the first three quarters of available data.

**Real Wage and Salary Compensation per Household, 2017-19**



Sources: Bureau of Economic Analysis; Census Bureau; Congressional Budget Office; CEA calculations.  
Note: Values are adjusted to real terms using the PCE chain price index. Values are indexed such that 2017:Q1 is equal to 100 to account for BEA annual revisions.

The national unemployment rate continues to fall below the pre-2016 election rate and reached 3.2%, the lowest rate in 50 years. This huge drop in unemployment has ensured that job seekers find a job, driving down the number of people getting unemployment insurance to the lowest percentage since 1960. Since the tax cuts began, unemployment dropped to a 49-year low, especially among blacks and Hispanics.

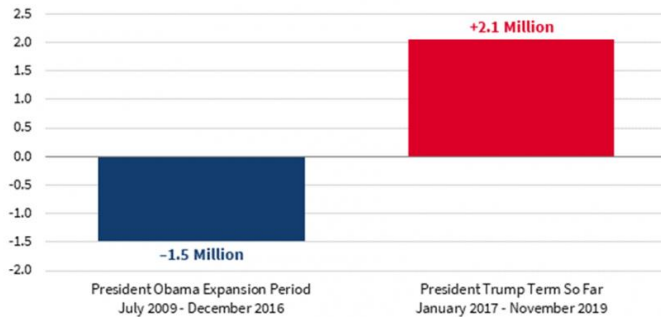
Now there are more job slots open than unemployed individuals, this nuance for 20 straight months. The non-farm job gains are almost 3 times the 16 million gains estimated by Congressional Budget Office (CBO) projections. The 1.6 million hike in the working age labor force in the last 23 months has offset the loss of 1.5 million working age employees under the Obama Regime. By increasing business investment and worker salaries, Trump accelerated a stronger labor market. Employees across all income levels have seen wages rise. Wage growth for production and blue collar employees is higher than wage growth for white collar employees. Blue collar wages grew at 3% annually from Jan.,

<sup>1</sup> National Federation of Independent Business, 2018.

<sup>2</sup> Alan Greenspan, U.S. Underestimating Impact of Trump Tax Cut, Jan. 28, 2020.

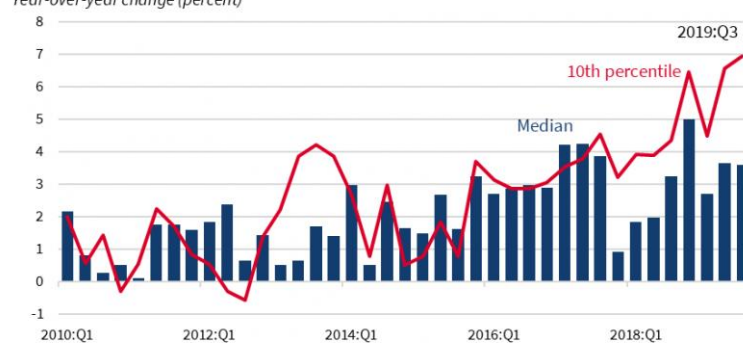
2017 through Nov., 2019. The tax cuts created Opportunity Zones to spike investment and labor demand in depressed neighborhoods, helping 35 million. This program is a means-tested, supply side policy to reduce poverty by promoting self-sufficiency. Lowest wage earners have witnessed the quickest wage growth, 10.6%, of any income group. Over the past year, wages for the lowest 10% of American workers jumped 7%. The growth rate for those without a high school diploma was 9%.

**Cumulative Change in the Prime-Age Labor Force, 2009-19**  
Labor force (millions)



Sources: Bureau of Labor Statistics; CEA calculations.

**Nominal Weekly Wage Growth among All Adult Full-Time Wage and Salary Workers, 2010-19**  
Year-over-year change (percent)



Sources: Bureau of Labor Statistics; Current Population Survey; CEA calculations.  
Note: Data are non-seasonally adjusted.

By lowering the cost of capital, tax cuts have raised business investment and personal income above pre-tax reform forecasts, improving our NE standard of living. Since the Trump election, our economy has expanded by 7 million jobs, far outpacing the 1.9 million predicted by the CBO. For 16 straight months, yearly wage growth has set at or above 3%, a level not reached since the Great Recession, and continues to outpace inflation. When measured as the share of income earned by the top 20%, income inequality fell in 2018 by the largest amount in over a decade.

Studies show that this decrease predominantly caused by a reduction in the number of Medicaid-eligible individuals because of income growth, not eligibility restrictions. The Trump Administration has launched several new initiatives to increase economic opportunity by removing barriers to work. Modernizing worker training ensures that workers have the skills needed to find jobs and build careers. Job openings have reached a record high of 7.3 million, over 300,000 jobs created over 1 month.<sup>3</sup> Before Mr. Trump assumed office in January, 2017, the CBO forecast the creation of only 2 million jobs by this point. Reforming occupational licensing

regulations will make it easier for workers to enter specific professions and still ensure customer safety. Occupational licensing also makes it more difficult to move to a different state to work, so this reform will allow more workers to move to locations offering available jobs. Additional Trump deregulatory actions targeted at remaining labor market barriers will allow the economy to continue to grow and lead to further employment and income gains, particularly for disadvantaged groups. He has almost eliminated entirely the bureaucratic rules on vehicle manufacturers that forced them to lower gas mileages to a point that newer vehicles would not offer sufficient protections to drivers and passengers.

**BUSINESS EXAMPLES.** Workers around the nation have gained higher pay, new or expanded education programs, and better retirement benefits. A small Pennsylvania chemical company used the tax cuts to build a new lab, invest in new equipment, and buy a new packaging line. It raised wages, expanded bonuses up to 50%, began a 401(k) retirement program, and created 29 new jobs. McDonald's allocated \$1,500 in yearly tuition aid to each employee working more than 15 hrs. per week. The money can apply to community college, trade school, or a traditional 4-year university for employees or family members. VISA doubled its 401(k) employee contribution match to 10% of employee pay. Express Scripts in Missouri announced, "The company will ... create a \$30 million education fund for employees' children. The fund will assist with paying for college and vocational training." Retailing giants Wal-Mart and Lowes will provide a special benefit up to \$5,000 for families who want to adopt children. LHC Group, a Lafayette, La.-based health services company, will help pay more of the burden of fast-rising insurance premiums, which have increased at double-digit rates under Obama Care.<sup>4</sup> In a booming economy with 4.1% GDP growth and tightening labor market, companies have much greater incentives to retain good workers. With the higher profits from tax cuts, they boost pay and benefits.

<sup>3</sup> [Newsmax](#), Jan. 28, 2020, by Christopher Reid.

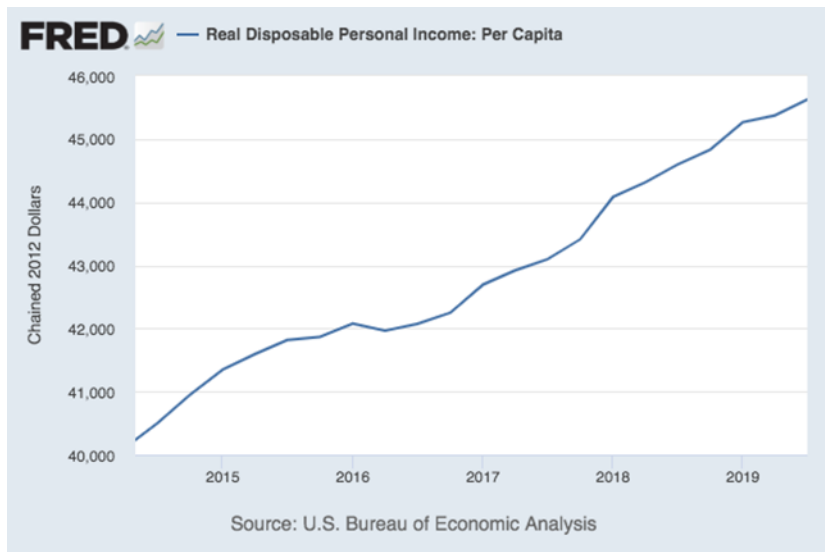
<sup>4</sup> [Investor's Business Daily](#), 7-30-2018.

**PERSONAL TAX RELIEF.** Morgan Stanley analysts predict that tax refunds will increase by 26%. A family of 4 with yearly income of \$73,000 sees a 60% reduction in federal taxes. The typical U.S. family is \$45,000 better off over the



next decade because of higher wages and a stronger economy.<sup>5</sup> 90% of workers saw an increase in pay after the IRS adjusted withholding tables to reflect the new law. The middle class is witnessing strong tax reduction, higher take home pay, and more jobs.<sup>6</sup> 82% of middle class Americans noted a tax cut in 2019, average savings of over \$1,260, increasing after-tax incomes by 1.7%. 80% of taxpayers are receiving tax cuts. The average cut totaled \$1,600.<sup>7</sup> Over 65% of taxpayers will see their total tax burden decrease by at least \$1,000.<sup>8</sup> In 2018, individual taxpayers saved an average of \$1,400, and married couples with 2 children saved \$2,917. Over the next 10 years, because of a larger economy

driven by tax cuts and the tax cuts themselves, the typical American household will benefit from more than \$26,000 more in take-home pay, \$44,697 for a family of four.<sup>9</sup>



**OPPONENTS.** Socialist Democrats continue to make false accusations against the tax cuts. They claim that the Trump tax cuts are actually a tax increase. Recall that the benefits of the tax reform passed exclusively with Republican support. The liberal media continually downplays this conservative policy, because over 90% of them are Dems who no longer pretend to act as objective journalists and engage in disinformation campaigns. Ryan Ellis, a conservative tax lobbyist, blamed negative news coverage for some unpopularity of the tax law. “People don’t know about their own taxes,” he said, adding that they “get half-baked ideas” from the way the law is portrayed.” Sens. Elizabeth Warren (D.-Mass.) and Bernie Sanders

(I.-Vt.) shouted the lie that the tax cuts are a “heist.” All the current Democratic presidential candidates want to cancel the tax cuts Trump has enacted during his presidency. Opponents critical of Trump tax cuts call them economically “regressive” and benefiting the wealthy disproportionately, not the case, according to researchers who analyzed the reform measure over the long term.<sup>10</sup>

**FUTURE CUTS.** Before the 2020 election, President Trump may offer another middle -class tax rate cut, lowering the 24%-22% marginal rates to 15% for taxpayers who earn between \$30,000 and \$100,000 annually, injecting an economic boost and steady economic gains for a long time. He directed Larry Kudlow, the National Economic Council Director, to plan Tax Cuts 2.0. GDP growth would set at 4%. Depending on how it is structured, it could cost almost \$1 trillion. According to a tax simulation model at PSL Models, dropping these marginal rates to 15% would give a \$110 tax cut on average to everyone having income between \$50,000 and \$75,000 annually.

**TAKE ACTION NOW.** The 2017 tax cuts and future tax cuts stand at risk from Socialist Democrats bent on burdening Nebraskans and other Americans with confiscatory tax burdens. Use the information above to lobby your representative and senators to vote against bills and resolutions that increase our federal taxes and that would cripple our soaring economy and stock market. Email [netaxpayers@gmail.com](mailto:netaxpayers@gmail.com) for Capitol Hill contact information and to join our *Congress Watch Project*.

<sup>5</sup> The Heritage Foundation, 2019.

<sup>6</sup> Alex Hendrie, director of tax policy at Americans for Tax Reform, 2019.

<sup>7</sup> The Tax Policy Center, 2019.

<sup>8</sup> Howard Gleckman, Senior Fellow at Tax Policy Center.

<sup>9</sup> Heritage Foundation study, 2019.

<sup>10</sup> Boston University economist Laurence Kotlikoff, University of California, Berkeley professor Alan J. Auerbach, and Darryl R. Koehler of the Fiscal Analysis Center for the Goodman Institute for Public Policy Research.

