United States Conference of Catholic Bishops
3211 FOURTH STREET NE • WASHINGTON DC 20017-1194 • 202-541-3000
WEBSITE: WWW.USCCB.ORG • FAX 202-541-3339

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United States House of Representatives
Washington, DC 20515

Dear Representative:

Decisions about taxation involve fundamental concerns of "justice and equity", with the goal of taxes and public spending "becoming an instrument of development and solidarity" (*Mater et Magistra*, 132; *Compendium of the Social Doctrine of the Church*, no. 355). On October 27, the USCCB offered six moral principles to guide debate on tax reform, centered on care for the poor and concern for families. The *Tax Cuts and Jobs Act of 2017* contains many fundamental structural flaws that must be corrected. As currently written, the proposal is unacceptable.

Care for the Poor. Doubling the standard deduction will help some of those in poverty to avoid tax liability, and this is a positive good contained in the bill. **However, as written, this proposal appears to be the first federal income tax modification in American history that will raise income taxes on the working poor while simultaneously providing a large tax cut to the wealthy.** This is simply unconscionable. The nonpartisan congressional Joint Committee on Taxation (JCT) indicates that by 2023 this tax plan will raise taxes on average tax payers making between $20,000 and $40,000 per year. Taxes for this group will be raised again in 2025, and again in 2027. Taxes will also increase on average taxpayers earning between $10,000 and $20,000 in 2025. The federal poverty line is $12,228 for one person, and $24,339 for a two-parent family with two children. Nearly one in three Americans live in a family with income below 200% of the poverty line. Meanwhile, average taxpayers who make over $1 million experience dramatic tax cuts for the same periods. **No tax reform proposal is acceptable that increases taxes for those living in poverty to help pay for benefits to wealthy citizens**.

Several other tax provisions that assist the working poor and others who may struggle economically are also eliminated, including:

- the **Work Opportunity Tax Credit**, which incentivizes hiring of the disabled, veterans, those who have been unemployed for long periods, and individuals receiving federal poverty-related assistance;
- the tax deductions to reduce the burdens of **tuition and student loans**;
- the income tax credit to persons who **retire on disability**;
- **the deduction for state and local income and sales taxes**, which may impact people in higher tax states;
- the tax deduction for **employee business expenses**; and
- tax incentives to employers and employees to help with **moving expenses** for a new job.

Strengthening Families. Society, in Pope Francis' words, is in "debt" to the family. The family is the most important institution in society because education, formation, and care for the human person, especially children, take place more in the family than anywhere else. **Expanded access to schools of choice is a positive step** in this legislation, and we would encourage Congress to go even further by empowering more parents in directing their child's education. We also appreciate that the legislation recognizes unborn children as eligible beneficiaries for parents' 529 education savings account contributions.

However, this tax plan places new and unreasonable burdens on families, especially those who welcome life or experience serious hardships:

- It removes the **adoption tax credit** which provides important and life-affirming assistance for families to adopt children desperately in need of love and support.

  The plan also repeals the **exclusion for adoption assistance programs**, which allows a family to exclude money paid by an employer for adoption costs up to the amount of the adoption tax credit as an alternative. This exclusion also allows those who adopt a **child with special needs** to receive the full value of the exclusion regardless of actual adoption costs.

  Eliminating the credit and exclusion sends the wrong message about our national priorities, which ought to protect life, strengthen families, and affirm the value of every human being. The savings to society from children finding loving homes is well beyond any revenue lost due to the credit and exclusion.
- **It eliminates the personal exemption**. Even with the doubling of the standard deduction, **some larger families will pay more**, including many two-parent families with more than three children, and single-parent families with more than one child. It is laudable that **the child tax credit has been expanded and removes the marriage penalty**. However, the modest increase in the credit does not fully compensate for the elimination of the personal exemption for some larger families. Moreover, because the child tax credit only remains refundable up to $1,000, ***lower income families will get no additional benefits*** from the child tax credit, while suffering the full loss of the personal exemption.
- It eliminates the **out-of-pocket medical expenses deduction** for families facing serious or chronic illness.
- **It eliminates tax incentives to employers to provide dependent care assistance or child care**. The family flexibility credit, at $300 per taxpayer, is some help, but is set to expire after five years and does not offset the greater losses.
- **It eliminates the qualified tuition reduction for children of teachers,** which will raise taxes on educational institutions and disrupt family arrangements.
- **It repeals mortgage tax credit certificates,** which are only available for first-time home buyers under certain income thresholds.

Other aspects of the plan also have consequences for families. By creating stricter rules around parents' social security numbers, the plan makes it more difficult for immigrant taxpayers to receive the Child Tax Credit or the Earned Income Tax Credit for their families, or to receive assistance in seeking advancement through education.

<u>Progressivity of the Tax Code</u>. Pope St. John XXIII wrote that a progressive tax code is required by "justice and equity." The "Unified Framework," upon which this tax plan was based, promised that any new tax code would be "at least" as progressive as the present code. *This plan breaks that promise*. It raises taxes on the working poor, while simultaneously providing large tax breaks to high-income taxpayers. It also **repeals the estate tax** (which applies to the estates of single people valued at more than $5.5 million and married couples valued greater than $11 million), and **eliminates the Alternative Minimum Tax (AMT)** which was designed to prevent high-income earners from avoiding tax liability through loopholes. In the years that the working poor suffer a tax increase under this bill, millionaires and billionaires will see significant tax decreases. This must be fixed. Those who stand to benefit the most from proposed tax policies ought to be the ones to bear most of the risk associated with them, rather than those who are struggling and in need.

<u>Adequate Revenue for the Common Good and Avoiding Future Cuts to Poverty Programs</u>. The state has a legitimate role in promoting the common good, and a legitimate interest in collecting taxes to do so. This tax plan, by design, will result in a nearly $1.5 trillion deficit over ten years. Even with the potential benefits of economic growth from individual and corporate tax cuts—which cannot be guaranteed—the poor should not be the ones to finance these changes. Undoubtedly, the deficit will be used as an argument to further restrict or end programs that help those in need, programs which are investments to help pull struggling families out of poverty. Repeal of the AMT and estate tax alone comprise a good portion of the deficit that is built into the plan. Rather than exploring even modest reductions to these dramatic cuts for the wealthiest, the bill raises taxes on the vulnerable and creates a strong incentive to cut the social safety net.

Incentive for Charitable Giving and Development. Doubling the standard deduction will bring tax relief to many people. However, for those who give to charity, it will make the charitable deduction increasingly a benefit only available to high income families. An "above-the-line" deduction would incentivize and assist charitable giving at all income levels, and increase the amounts people can give. It would also guard against a multi-billion-dollar decrease in charitable giving that this plan would otherwise cause, shrinking civil society and cutting income to nonprofits that help the poor, just as government aid to the poor is jeopardized, as noted above. By and large, money given to charity helps those in need. The tax code should encourage voluntary association, mutual aid, and a culture of giving, helping rather than hurting groups that will be asked to do more for the poor in the days ahead. Similarly, this plan will lower the value of affordable housing and community revitalization incentives. Public-private partnerships that benefit the poor and the greater community should not be discouraged.

Because tax policy is far-reaching, Congress must provide ample time for Americans to discuss the complexities of these reforms and fully understand their effects. The current timetable does not provide adequate time for that discussion. In many ways, this legislation is unacceptable in its present form and requires amendment. It must be changed for the sake of families—the bedrock of our country—and for those struggling on the peripheries of society who have a claim on our national conscience.

Sincerely,

Most Reverend Frank J. Dewane
Bishop of Venice
Chairman, Committee on Domestic Justice and Human Development

Most Reverend Oscar Cantú
Bishop of Las Cruces
Chairman, Committee on International Justice and Peace

Most Rev. George V. Murry, S.J.
Bishop of Youngstown
Chairman, Committee on Catholic Education