

**THE MACROECONOMIC IMPACTS OF POTENTIAL
TAX REFORM IN 2025**

HEARING
BEFORE THE
SUBCOMMITTEE ON
ECONOMIC POLICY
OF THE
COMMITTEE ON
BANKING, HOUSING, AND URBAN AFFAIRS
UNITED STATES SENATE
ONE HUNDRED EIGHTEENTH CONGRESS

SECOND SESSION

ON

EXAMINING THE MACROECONOMIC IMPACTS OF POTENTIAL TAX
REFORM IN 2025

SEPTEMBER 18, 2024

Printed for the use of the Committee on Banking, Housing, and Urban Affairs



Available at: <https://www.govinfo.gov/>

U.S. GOVERNMENT PUBLISHING OFFICE

WASHINGTON : 2025

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C O N T E N T S

WEDNESDAY, SEPTEMBER 18, 2024

	Page
Opening statement of Chair Warren	1
Opening statements, comments, or prepared statements of:	
WITNESSES	
Ai-jen Poo, President, National Domestic Workers Alliance; Executive Director, Caring Across Generations	3
Prepared statement	16
Kitty Richards, Senior Fellow, Groundwork Collaborative and Economic Policy Think Tank	4
Prepared statement	23

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WEDNESDAY, SEPTEMBER 18, 2024

U.S. SENATE,
COMMITTEE ON BANKING, HOUSING, AND URBAN AFFAIRS,
SUBCOMMITTEE ON ECONOMIC POLICY,
Washington, DC.

The Committee met at 2 p.m., via Webex and in room 538, Dirksen Senate Office Building, Hon. Elizabeth Warren, Chair of the Subcommittee, presiding.

OPENING STATEMENT OF CHAIR ELIZABETH WARREN

Chair WARREN. This hearing will come to order. Good afternoon. I want to thank Ranking Member Kennedy, our other colleagues, and our witnesses, who will be joining us today for this hearing.

Today we are 48 days away from the election. That is just 48 days until voters decide the direction our country will take next year on abortion, housing, and taxes.

So today's Economic Policy Subcommittee hearing on the macroeconomic impact of potential tax reform in 2025 may sound a little wonky, but the reality is Congress is going to confront huge decisions on tax policy next year.

Whether we want to rewrite the Tax Code or not, 2025 will be a crucial year for setting tax policy because in 2017, Donald Trump and congressional Republicans passed a \$2 trillion tax giveaway to the wealthy and big businesses. The Republican tax giveaway was so big that they tried to hide the full cost so they set up a bunch of pieces to expire at the end of 2025 and hoped that a subsequent Congress would just rubberstamp an extension without noticing how much money rich people and giant corporations would be getting.

Next year, Congress will answer the questions we are discussing today about what the Tax Code should look like. What we decide will affect every American and every part of the economy and every part of the country over the next few decades.

Whatever you care about, taxes matter. The Tax Code determines how much money our Nation has for programs like Social Security, Medicare, roads and housing, health care, and childcare. And the fine print of the Tax Code shapes our economy.

Will the Tax Code incentivize billionaires to hoard their money, corporations to grow into titanic monopolies, and multinationals to shift jobs overseas or will it create good jobs and new opportunities for small businesses and entrepreneurs right here in the United States?

Taxes reflect our values. They show us what and who we value enough to collectively invest in. For decades, particularly since the days of Ronald Reagan and his corporate friendly advisors, the tax system has reflected the values of well-connected billionaires.

The 2017 Republican tax cuts centered on a \$1.3 trillion tax cut for giant corporations. In the years since then, corporations have raked in record profits, including by price gouging consumers, but they have paid less in taxes. In fact, over the past half century, giant corporations have begun to dominate our economy. Corporate profits, as a share of the economy, have doubled since the 1950s. Meanwhile, corporate Federal income taxes as a share of GDP have fallen by half.

Under President Biden and Vice President Harris, things have gotten a little better. We raised taxes on billion dollar corporations for the first time in 30 years thanks to my 15 percent corporate minimum tax.

We funded the IRS, which has since clawed back over a billion dollars and counting from wealthy tax cheats. But it has been an uphill battle. These improvements to the tax system came with the slimmest of majorities and were opposed by every single Republican Member of Congress, House and Senate.

And believe me, billionaires and big corporations have fought like hell to beat back bigger reforms. Now next year, they will fight even harder. Lobbyists have already started calling 2025 the year of Tax Super Bowl.

These lobbyists are salivating over the hours they can bill their corporate clients and the goodies they can win. But it's not a game and the outcome is not a foregone conclusion. In fact, I see 2025 as a big opportunity to fix our Tax Code.

So here is the choice that Congress will face and that this Subcommittee meets to discuss today. Will we allow Donald Trump and the Republicans to implement their Project 2025 plan to cut taxes even more for billionaires and giant corporations while raising taxes on everyone else or will we move the corporate tax rate back up, stitch up the tax loopholes that billionaires wiggle through, and then use that revenue to lower costs for ordinary Americans from housing to childcare?

And just as important, will we finally say enough is enough? That the rich and the powerful have already fed at the trough long enough and that it is time for them to pay a fair share?

Will we have the courage to say that it is better to let the Trump tax cuts expire than to sign on to another multitrillion dollar giveaway to America's billionaires?

I appreciate our panelists joining us for this hearing and sharing their expertise. We have big questions that will come before the Senate and the American public in the coming months. And I am pleased to have the chance to start that conversation today.

At this point, I would ordinarily turn to Ranking Member Kennedy, who was right behind you. He's voting and then he will be here for his opening remarks.

So how about instead of doing that, we start with our witnesses. We have two great witnesses to share their views on the impact of tax reform on our economy. And I appreciate both of you being here today.

First we have Ai-jen Poo, who is the President of the National Domestic Workers Alliance and the Executive Director of Caring Across Generations.

Ms. Poo is a tireless advocate for caregivers and a nationally recognized expert on elder and family care, the future of work, gender equality, and grassroots organizing.

And second, we have Kitty Richards, who is an expert in tax and fiscal policy with groundwork collaborative. She also served in the Treasury Department during the Biden-Harris administration, and as an economic policy advisor in the White House to then Vice President Biden.

So thank you both for being here today, and I look forward to hearing your testimony. Ms. Poo, how about if we start with you?

STATEMENT OF AI-JEN POO, PRESIDENT, NATIONAL DOMESTIC WORKERS ALLIANCE; EXECUTIVE DIRECTOR, CARING ACROSS GENERATIONS

Ms. POO. Thank you, Madam Chair. I am so honored to be here to speak with you today and also grateful to Ranking Member Kennedy and Members of the Committee for the opportunity to testify to the economic impacts of potential tax reform.

Again, my name is Ai-jen Poo, and I am the President of the National Domestic Workers Alliance and Executive Director of Caring Across Generations.

We are part of Care Can't Wait, a national coalition working to lower the cost of caring for families and improve the quality of work for our Nation's care workforce.

Every day in America 10,000 babies are born, and 10,000 of us turn 65. More of us are living longer, which means the number of older adults in America, over the age of 85, is expected to more than double by the year 2040. And this is a beautiful thing because it means more time to live and to learn and to contribute, to watch our children and our grandchildren grow. But it also means that we are a Nation in need of more care, more than ever before.

And in America today, only the wealthy can afford it. We live in one of the only countries in the world without guaranteed paid family medical leave, which means that one in four moms returns to work within 2 weeks of giving birth.

In every State in America, center-based childcare for two kids costs more than rent. A room in a nursing home will run you \$100,000 per year. And then if you want to receive aging and disability care in the home, where most people want to receive it, it can cost anywhere from \$60,000 to \$288,000 per year. Meanwhile, the median income of a home care worker in America is less than \$22,000 per year.

The workers whose profession it is to help care for us can't care for their own families on the wages they earn. They also happen to be the fastest growing occupation in our entire workforce because of the tremendous need.

Deciding how we spend public dollars, using the Federal Tax Code is one of the most powerful tools we have to lower costs for everyday middle class families. It reflects what we understand to be shared priorities and essential infrastructure for a strong economy.

Just as we must invest in physical infrastructure like bridges and tunnels, we need care infrastructure. As Senator Bob Casey famously said, some people need a bridge or a tunnel to get to work and others need childcare, others need home care.

Without these investments, tens of millions of working family caregivers and parents are making impossible choices between caring for their loved ones and working to pay the bills. Untold numbers of us are pushed into debt and poverty while the majority of our 9 million professional care workers are trapped in working poverty.

The 2017 tax law decreased Federal revenue by trillions while doing almost nothing to address the fundamental needs of working and middle class families.

Under the law, the wealthiest 1 percent of households can expect an average benefit of \$60,000 in 2025 while the majority, including most family caregivers, disabled people, seniors, and parents, will receive less than \$500. That is \$40 a month, and care workers will average even less, \$70 per year. These tax cuts benefited the people with the least need the most while the vast majority of us continue to struggle.

I recently traveled across the country to meet caregivers. And in Atlanta, I met Martresa, a sandwich generation caregiver caring for her chronically ill mother at home and a young daughter at the same time.

She found a strange spot on her skin, but because she couldn't afford care assistance, she prioritized care for her family over her own. And the day before I met with her in Atlanta she was diagnosed with advanced stage cancer.

Our tax policy cannot continue to deepen the inequality of care in America rather it should help address it, and it can.

We must raise revenue and make investments in our care systems from childcare to paid family and medical leave to senior and disability care. I urge you to let the 2017 tax cuts for the wealthiest expire and use additional revenue to invest in the care we all need.

2025 is our once in a generation moment to ensure that the wealthy pay their fair share so that we can all contribute to a strong economy and care for our families, too. I look forward to your questions. Thank you.

Chair WARREN. Thank you, Ms. Poo. Ms. Richards.

STATEMENT OF KITTY RICHARDS, SENIOR FELLOW, GROUNDWORK COLLABORATIVE AND ECONOMIC POLICY THINK TANK

Ms. RICHARDS. Thank you, Chair Warren and Members of the Committee. Thank you for inviting me to testify today. Again, my name is Kitty Richards. I am a senior fellow at the Groundwork Collaborative and Economic Policy Think Tank based here in Washington, DC. And I am grateful to the Committee for holding this hearing about the really important macroeconomic impacts of tax reform in 2025.

As you know, next year is going to be a big year for tax policy-making as the individual income tax provisions of the 2017 tax law expire, but I want to talk about more than the TCJA and especially more than just its expiring provisions. I want to talk about how to

support a thriving economy through tax reform. And to do that, we really need to do three things.

First, tax reform must raise substantial new revenue, well above the revenue lost to the failed 2017 Tax Act. Before the Bush tax cuts and then their extension and then the 2017 law, the U.S. had a tax system that was not perfect, but raised enough revenue to support a fully functioning Government and did it progressively.

We need revenue to support a 21st century Government that can restore a strong, secure middle class, build our clean energy future, and ensure that every American can participate in the economy and reach their full potential.

I am honored to be sitting next to Ai-jen Poo, who can speak to the importance of investments and care infrastructure much more eloquently than I can and just did.

Second, tax reform must directly redress the skyrocketing inequality that has characterized the American economic experience over the past 50 years. And we have to pay special attention to the persistent racial and gender disparities in wages, wealth, and opportunity that not only harm those communities, but really hold our economy back.

This inequality is not just profoundly unfair and damaging to the welfare of the large majority of Americans who have been left behind, it also has a negative impact on economic growth through multiple channels.

Third, tax reform must rebalance economic power away from the wealthy and corporations, putting a break on extractive practices at the high end that weaken economic performance while enriching shareholders, executives, and highly compensated professionals at the expense of everyone else and enhancing the economic power and participation of low and middle income workers, especially those who currently provide the more than \$1 trillion in unpaid care work each year that allows all other work to happen.

My written testimony outlines a number of ways that tax reform in 2025 can accomplish these goals, and I would like to just go through a few of them here.

Congress should restore the corporate tax to a major source of progressive revenue for the U.S. Government and ensure that it functions as a break on corporate power and corporate profiteering, not an accelerant.

This can be accomplished by raising the corporate tax rate, including raising it back to 35 percent, where it was before the 2017 tax law, for the most profitable corporations, closing corporate loopholes and eliminating current preferences for foreign source income over American source income.

The U.S. should also move swiftly to implement the once in a century agreement among more than 130 countries across the world to prevent corporations from forcing a global race to the bottom in corporate taxation. Doing so will increase U.S. tax revenues and reduce large multinational's ability to syphon profits offshore.

Congress should restore the top tax rates on high incomes and address the many special tax giveaways that provide outside benefits to the richest taxpayers, including some introduced in the TCJA, like the Section 199A deduction.

On the other end of the individual tax, Congress should restore the enhanced child tax credit from the American Rescue Plan, which cut child poverty in half before it was allowed to expire and expand on the success of the earned income tax credit by making more workers eligible for a larger sum.

And finally, Congress must reform the way that income from wealth is taxed. Taxing wealth like work is more than a fairness issue. It is absolutely crucial to ensuring that the richest taxpayers pay any tax at all, let alone their fair share, and to rebalancing power in the economy.

Proposals like Senator Wyden's Billionaires Income Tax or the Biden-Harris administration's Billionaires Minimum Income Tax are a hugely important part of building a tax system that works for workers and builds our economy. Thank you.

Chair WARREN. Thank you, Ms. Richards. And now we are going to start our questions with the Senator from New Jersey, Senator Helmy.

Senator HELMY. Thank you, Chair. Thank you for the opportunity to participate in this hearing. And I know and thank you for your long lasting and standing leadership on tax policy issues that break apart what I call the consolidation of opportunity in this Nation and invest in opportunities that lift up low income and growing middle class.

Thank you both for being here. And Ms. Poo, I'm sorry I missed your opening remarks, but I did have a chance to read them and will hopefully give you an opportunity to build on some of the interesting points I read.

Ms. Richards, if I can start with you. I would like to discuss investments in education. And I would start by saying the Pell grant has had a significant impact on low income and middle income New Jersians.

In New Jersey, approximately 35 percent of undergraduate students relied on Pell in 2021–22 academic year, as can be expected most of those recipients coming from low income households.

Would you mind speaking with some specificity to the return on investment we see when we make investments in uplifting low income families by investing in educational opportunities for them and what that might mean for growing our U.S. economy?

Ms. RICHARDS. Absolutely. Investing in the human capital of future workers, current workers, and innovators in our economy is one of the most important things that we can do to increase productivity growth, increase wages, and build a really strong, resilient economy that can work for, you know, the next 100 years. And Pell grants are such a great example of how we can do that.

Researchers at the OACD have found that one of the major mechanisms by which growing inequality is stifling growth across the world, and especially in the United States, is the failure of these economies to be able to invest in the bottom half of the income distribution and in their human capital.

And when you give a Pell Grant to someone who otherwise wouldn't be able to go to college, you are opening up a world of possibility for them and for them to be able to participate fully in the economy and become a future leader, a strong worker, and also deliver for their family.

Senator HELMY. I would just note personally, Chair, my wife, who emigrated from Egypt when she was 10 and was a recipient of Federal dollars to go to her undergraduate at Rutgers and my children have more opportunities than we had as kids because, as you said Ms. Richards, that opportunity and investment in low and middle income families like the ones we came from.

If I can stay with you, Ms. Richard, you mentioned in your written testimony the investments in childcare. And according to census data over a million of our children in New Jersey benefited from the expanded credit in 2021.

Under the current law, of course, an estimated 19 million children under 17 receive less than a full credit or no credit at all because the family's incomes are too low. If we were able to restore the CTC to the restored amount of the American Rescue Plan, how do you see that in also helping the economics, broadly again, of the U.S. economy but specifically the economics of low and middle income families?

Ms. RICHARDS. The child tax credit expansion included in the COVID recovery package was a phenomenal success. It drove child poverty to a record low of 5.2 percent in 2021, which by the way it is a shame that we live in the richest country on earth, and 5.2 percent of our children living in poverty is a record low, but it was incredibly successful.

If the program had been extended 3 million fewer children would have been living in poverty in 2022. It really makes clear that hungry children and families trapped in poverty, those are policy choices.

But as you said, it also really stifles our economy. Those children, we have reams of evidence to show that getting high quality care, having a stable environment with a roof over your head where you are not at risk of eviction or homelessness, having food in your stomach when you go to school, these are huge determinants of your future economic success and the economic success of our society.

And I would also love to add the CTC is so important, but investments in childcare have a return on investment as high as 12 to 1. And, you know, these things, I would love to turn it over to my colleague because these things are about more than just family economics today.

Senator HELMY. That is a perfect segue. And they don't allow junior senators to go over their time. And this is a great segue, Ms. Poo.

In 2022, a study by researchers at the Joint Committee of Taxation on the Federal Reserve Board analyzed the impact of the TCJA, the Trump tax bill, in corporate returns, shareholder data, and worker earnings. And I quote, "The earnings do not change for workers in the bottom 90 percent of within firm distribution." But as you would expect that's my ad lib. Back to the quote, "but do increase for workers in the top 10 percent, increase particularly sharply for firm managers and executives."

What I would ask if we were able to tick the corporate tax rate back up to 28 percent, which is what is being proposed by some on this side of the dais, how do you see that being impactful to the care economy and, again to the same way I phrased the question

to Ms. Richards, how would we reinvest that in the care economy and what would that mean to uplifting low and middle income families, and, again, the broader investment in the American economy?

Ms. RICHARDS. Well, I think we are so—thank you for the question, Senator. I think we are so underinvested in low income and middle income families in our country that we can't do enough at this point to support them.

I think that the child tax credit is incredibly important as a way to offer relief for low income families in particular, and we have seen the impact of that. And I think investments in the care infrastructure are long overdue and essential.

And there is an economist at Harvard named Larry Katz who calls investments in the care economy triple dignity investments because if you think about our ability to investment in say the childcare workforce and making those poverty wage jobs better jobs, those wage increases not only benefit those workers and their families and communities, but then they enable through the services they provide to support millions of other working families and caregivers and working parents to go to work and participate in the economy. And then they support the next generation of children to be able to have access to quality care at these crucial years of their lifetime and older adults, people with disabilities, having the ability to live dignified full lives as they age.

This kind of return on investment is exponential. And these investments are long overdue.

Senator HELMY. I appreciate both of you being here. I appreciate your qualitative analysis and your written testimony on the unpaid and uncredited work that comes out of the care economy. And I turn it back to the Chair with tremendous gratitude for her leadership on these issues.

Chair WARREN. Well, thank you very much. Thank you for those very thoughtful questions.

So let's talk more about the tax bill that passed in 2017. Donald Trump signed into law in 2017 his only big legislative accomplishment, a \$2 trillion tax giveaway for the wealthy and the well-connected. And now he is out there promising to shovel even more tax breaks to, these are his words, his rich as hell donors. But the American people want to move forward, not backward. Eighty percent of voters want to raise taxes on the rich and Democrats have a proposal to do exactly that.

Those higher taxes on the rich would give our Nation revenue, money to build 3 million new homes and lower rents by 10 percent. Money to cut the cost of childcare to just \$10 a day for most families. Money to build a better future for everyone.

So let's talk about the 2017 tax law and the choice that the next President and the next Congress will face as a big chunk of it starts to expire.

Ms. Poo, you worked on behalf of the 2½ million nannies, house cleaners, and homecare workers who keep American families going, keep them in the workplace. What was the impact of the 2017 Trump tax cuts on the domestic workers that you represent? How big a slice of that \$2 trillion did they get?

Ms. POO. Madam Chair, the short answer is next to nothing. If the Trump era tax cuts were allowed to continue, the average care

worker, like our members, would receive \$70 per year in benefit, which is in contrast to the richest 1 percent, who would receive \$60,000 per year.

And by the way, a majority of American workers in this country earn less than \$60,000 per year. So talk about exacerbating what is already brutal in equality in our economy and feeding the epidemic of low wage work that we have to address. We cannot allow for our tax policy to leave essential workers like care workers and other low wage workers behind.

Chair WARREN. All right. So that is the calculation based on what we have seen. But Donald Trump is doubling down. He is proposing \$7 trillion in further tax cuts, including slashing the corporate rate down to just 15 percent.

That is not all. In their Project 2025 playbook, Republicans in Washington have laid out a scheme to further shift the tax burden from the wealthy to the middle class and working class in order to fund \$1.5 to \$2.4 million tax cut for households making more than \$10 million a year, the Republicans have laid out their project 2025 plan to raise taxes by an average of \$3,000 for the median family of four.

Now, Ms. Richards, you are a former White House and Treasury Department official. You are an expert in tax and economic policy. So tell us what impact would these proposals that Donald Trump and Project 2025 have already put on the table, what impact would these proposals have overall on our economy?

Ms. RICHARDS. The impact would be higher inflation, higher interest rates, weaker economic growth, and recession becomes a serious threat again.

Those are direct quotes from an analysis put out last month by Moody's analytics after reviewing GOP plans to extend the expiring 2017 provisions throughout the individuals, further cut the corporate tax rate, and impose tariffs that would drive up costs for low and middle income families.

But as you noted in your remarks, many of former President Trump's closest allies are envisioning an even more extreme tax agenda.

Project 2025 would get rid of our current progressive income tax system along with nearly all of the deductions and credits that lower taxes for low and middle income families and significantly increase the income tax rate that those families pay. Then those savings would get funneled into cutting taxes for the wealthiest households at the very top.

Experts ran the numbers recently and found that this would increase taxes by \$3,000 for the typical family of four while giving between \$1.5 and \$2.4 million in annual tax cuts for those wealthiest households with more than \$10 million.

Chair WARREN. So we are really talking about an income redistribution scheme here, right, from the wealthiest 10,000 families in America that they get an average of how much more?

Ms. RICHARDS. \$1.5 to \$2.4 million. It's hard to nail down.

Chair WARREN. Per family?

Ms. RICHARDS. Per family.

Chair WARREN. For the wealthiest 10,000 and for middle class, working class America, they lay out how much more?

Ms. RICHARDS. \$3,000 for the typical family of four.

Chair WARREN. So this is amazing. You know, I listen to the Republicans rail about wealth redistribution. Let's face it, wealth redistribution is happening. And what Donald Trump wants to see, along with his Republican friends, is let's redistribute even more wealth from the tiny fraction of the very richest Americans and let's make working families, let's make middle class families, pay more.

So this is going to be—did I say that as wealth leaves them, it's more wealth for middle class America up to the richest among us?

You know, and as you rightly say, this is what the economists at Moody's are telling us, they have already taken a look at this. You can exactly track. And Project 2025 has actually laid out the numbers. We don't even have to sit here and do the math ourselves. They are so extremist that they think they can tell America what they plan to do. And that somehow the United States is still going to go along with it, the voters are going to go along with it.

I do understand why Donald Trump is trying to back off from Project 2025. But these are his advisors. This is his Republican party who is advancing this. And we are heading into a big tax fight in which the Republicans are proposing to take wealth away from working families and give more wealth to rich families and to do it all through the tax cut.

So look, it is pretty outrageous. It is better to walk away and let the Trump tax cuts expire than to sign our names to that kind of a wealth transfer to help multimillionaires and billionaires at the expense of working families.

But that doesn't have to be where our 2025 tax fight ends. I believe we can do better than that. We can raise taxes on the rich. We can invest in lowering costs for American families. And that is exactly what Vice President Harris has proposed. Raising revenue by taking the corporate tax rate—she is just saying take it back up to 28 percent and impose a 25 percent minimum tax on these megamillionaires and billionaires and use that money to help families with the cost of housing and childcare.

Now Ms. Richards, let's do the comparison here. We talked about Donald Trump's plan is to take money away from middle class and working families and give it to the very wealthy. Vice President Harris' plan is take some of this money away from wealthy and give it back to middle class and working families in the form of providing the infrastructure for childcare and housing and reduce those costs.

So can you describe overall what impact Vice President Harris' proposals would have on our economy?

Ms. RICHARDS. Sure. I think it is worth coming back to the same Moody's analysis that I had spoke of earlier. Their economists conclude that enacting Vice President Harris' policy would lead to strong economic growth and lower—

Chair WARREN. Strong growth.

Ms. RICHARDS. —lower inflation, full employment, and critically Harris' policies would boost the finances of lower and middle income Americans. Again, direct quotes. For the record, Moody's also concludes that debt as a share of GDP would be far better under Vice President Harris' proposals because of how costly the

GOP tax cuts are and because of the revenue raising proposals you just mentioned. And you can also think of that as an indication of how much more we could have to invest in care economy and the workers that really power economic growth in this country.

Chair WARREN. So very interesting point because you are really saying the effect overall on the economy of the Trump tax cuts would be a disaster, like higher inflation, lower GDP growth, lower job growth, but as a side benefit. The other consequence of this would be to drive up the deficit and that we see exactly the inverse in the way that Vice President Harris wants to do this by saying higher taxes on those at the top and more investment in bringing down costs for those in the middle.

You know the next President and Congress will face huge decisions on tax policy. Donald Trump wants to make an America that works even better for those at the top. Kamala Harris and congressional Democrats want to tax the rich so that we can build a stronger, fairer America. An America where Jeff Bezos doesn't pay a lower tax rate than a public school teacher. That is the America we are working for, an America where everyone can get ahead, where childcare costs and health care bills are not crushing families, an America where every family can afford a home.

That is an America worth fighting for and that is the battle we will be in in 2025.

With that, I will call on the Senator from Maryland, Senator Van Hollen for his questions.

Senator VAN HOLLEN. Well, thank you, Senator Warren. And as I said before the hearing, I had another briefing that I was at so I am glad to make it. Thank you for pulling this great panel together.

I thank both of you for being here. and I know Senator Warren and others have laid out some of the Vice President's plans, which would be to really invest in the middle class and those working to become part of the middle class.

So I think as we listen to our Republican colleagues and we get a preview of what Republican claims are about what their tax policies would do, it is important to go back and rewind the tape a little bit and see what claims were made about the last round of Trump tax cuts which were really, as we all know, for the very wealthy. But I think having two experts here, we can dissect some of the claims they made and whether they ever really came true.

As we know, the Trump tax cuts took the corporate rate from 35 percent to 21 percent. We now raise about 1.8 percent of our GDP from big corporations and others, which is a very small amount given the magnitude of those profits.

And now Republicans are planning to cut the corporate tax even further, 18 percent says former President Trump—I'm sorry, Project 2025. President Trump is saying in some categories maybe even go to 15 percent.

So in 2017, we were told that these big corporate tax cuts would cause such massive economic growth that they would pay for themselves. So let me just start with a straightforward question, did they pay for themselves?

Ms. RICHARDS. No. That was laughable at the time, and it has not worn well.

Senator VAN HOLLEN. Ms. Poo.

Ms. POO. Agree.

Senator VAN HOLLEN. So one of the other things they claimed was that those cuts were going to generate a big new wave of investments, right? That corporations would take their tax savings and invest them into growing their businesses. So Ms. Richards, did business investment shoot up in the 2 years following the tax cuts when corporations first felt the effect of those cuts and before COVID may have distorted the data?

Ms. RICHARDS. Nope.

Senator VAN HOLLEN. Right? It is again just no ambiguity here. It just didn't happen. And in fact, what we saw was that corporations spent \$806 billion in stock buybacks in 2018, paying off wealthy investors instead of growing their businesses.

Another claim that was made was that corporations would use some of that tax savings to increase the wages they paid to their employees. In fact, Kevin Hassett, who was the head of Trump's Council of Economic Advisors, said there would be, and I quote, "an immediate jump in wage growth". And the former President predicted an average wage increase of \$4,000 tied directly to those tax cuts.

So, Ms. Richards, did the average American get a \$4,000 raise from the Trump tax cuts?

Ms. RICHARDS. No. In fact median wage growth actually slowed in 2018 and 2019 after the Trump tax cuts were enacted.

Senator VAN HOLLEN. Right. And, you know, the only people who saw raises were the very wealthy executives, who got about \$50,000 on average boost in their income.

So, Ms. Poo, did the people who were caring for our children and aging members of our communities get a \$50,000 raise?

Ms. POO. No, Senator. The median annual income for a homecare worker is \$22,000 per year in the United States.

Senator VAN HOLLEN. And when those companies were making billions of dollars and more profits and using a lot of their profits for stock buybacks, did they at least lower prices for consumers?

Ms. POO. No, Senator. Prices have gone up.

Senator VAN HOLLEN. So prices went up. Wages did not go up. Stock buybacks and executive compensation went up. The deficit went up, and these guys want to run that movie again.

So I appreciate both of you being here just to refresh our memories a little bit beyond the sloganeering as to what actually happened in the real world. Thank you.

Chair WARREN. Thank you very much, Senator Van Hollen. I always appreciate your questions. But on this one just walking through what were the promises made in 2017 and what did the data show because that same set of promises will be made in 2025 as we go through these tax fights. And what's the old, burn me once, shame on you, burn me twice, shame on me. We are not falling for that again. So thank you. I really appreciate the questions.

If you will bear with me, I have got another round of questions I would like to be able to ask.

You know, for too long, Republicans have raced to cut taxes for the wealthy and then they turn around and slash funding for critical programs that many Americans rely on.

The tax fight next year will determine how much money we have to help lower costs for families by making the investments in childcare and housing and whether millionaires and billionaires chip in like everyone else. So let's focus for a minute on childcare.

While other Nations have invested in universal affordable high quality care for their children, we have stayed stuck in a debate over how much to cut taxes. The result, the United States now ranks 31st out of 38 developed countries in terms of tax revenue as a share of GDP and 33rd out of 37 of the richest Nations for their spending on childcare.

Childcare, as you noted in your testimony, is more expensive than rent for the average family in America. And I just want to add a footnote to that, if they can find it at all.

Ms. POO. Correct.

Senator VAN HOLLEN. Because part of what never goes into that calculation are all the people who just give up, all the people who can't find it at all or who are using under the table ways of having their children taken care of that never show up in these statistics.

So, Ms. Poo, why is it so difficult for families to find affordable, high quality childcare? Why doesn't this market work? Why don't we just put a little more money into people's hands and suddenly we will have a functioning childcare market?

Ms. POO. The system is broken because we have never invested in building it. We don't have a functioning childcare system in the United States.

Right now, there are fixed costs associated with delivering safe, quality childcare. And childcare currently relies on a patchwork system of Federal and State dollars that is anemic and inconsistent at best.

And in that context, the cost gets passed on to individual families who are struggling and also the care workforce. So you have families paying enormous amounts, up to 30 percent of their income, and workers earning poverty wages to stay in this work, to keep the doors open of these facilities.

And it is unsustainable for everyone involved. The average childcare worker earns less than \$30,000 per year.

Chair WARREN. You know, you caught me with the line, why is the childcare system broken? Because we never built it. I am reminded as you say this that I nearly got derailed from the lack of available, affordable childcare not once, but twice. Just almost got knocked completely off and was saved because I had an elderly Aunt B who came to live with me for 16 years in order to see me through all of my childcare needs for all those years.

What is so frustrating to me is it was hard for me when there were fewer women in the workforce when we kind of felt like the first wave of mamas going into the workforce.

It was just as hard for my daughter. And now it appears that it is going to be just as hard for my granddaughters because we continue not to make this investment. The idea that a family can take out of its own income to pay for an entire childcare infrastructure is just nuts. We don't ask families to go pay for all the costs of second grade.

We say that we all pitch in so that we can afford to build an education system, K through 12, and make that available for all of our

kids, but we are not doing it on childcare and families, babies, and childcare workers are the ones who are paying the price for this.

But it takes money to make the system work, and look at the billionaires right now. They are just not paying taxes. Elon Musk and Jeff Bezos want to keep sitting on their growing piles of wealth protected by armies of lawyers and accountants and wealth managers and lobbyists who ensure that the money they make doesn't count as taxable income.

Ms. Poo, tell me, is that option of just deciding not to pay taxes and build your wealth out and to live on it knowing you will be protected by an army of accountants and lawyers and lobbyists available for our childcare workers? Are they doing the same thing there?

Ms. POO. No, Madam Senator. If they were, I would not be here testifying today.

Chair WARREN. You know, is it available to middle class families? You know, people who have got two folks in the workforce. They are earning median wages. Is it available to them?

Ms. POO. It is not.

Chair WARREN. You know, this is the part we have to remember, the extraordinary inequality not just an outcome, but inequality in opportunity to build something in this country.

The top 1 percent in this country just hit a record \$44.6 trillion in wealth. That is almost as much as the bottom 90 percent of Americans have scraped together. But that top 1 percent is barely paying taxes.

And every year that goes by with the wealthiest Americans paying so little is another year in which their grip over our economy grows stronger while everyone else struggles to get by.

Donald Trump and congressional Republicans understand this dynamic. And instead of working to reverse it, they are tripping over themselves to promise their wealthy donors even more tax giveaways next year.

But President Biden and Vice President Harris have a much better idea. They have a plan to ensure that anyone who has more than \$100 million in assets—and just so you know, this is the top 10,000 richest, megamillionaires and billionaires that they pay at least 25 percent of all the income they make in taxes. That is still far less than the top individual tax rate. But for the first time, it would force the 10,000 richest Americans in America to stop hoarding their wealth and hiding it from the IRS. Now, Ms. Richards, if we pass the Biden-Harris Billionaires Minimum Income Tax affecting just the top one-tenth of 1 percent of all Americans and then invest that money in affordable childcare for all Americans, what kind of return on our investment would we get?

Ms. RICHARDS. Investments in childcare have undeniable payoffs. The return on investment can be as high as 12 to 1. Meanwhile, billionaires sitting on stock for years and years for tax purposes is actually bad for the economy. It makes it less dynamic. It makes us less able to grow and innovate.

So the return on investment would be huge.

Chair WARREN. So I think this is really an important point to make. You know, you could be somebody who just doesn't care about kids. Doesn't care about care. But just making a hardnosed

investment decision, investing in billionaires, which is what a system does when it says you can sit on those piles of wealth and not pay taxes on them. Doing that has the effect of actually making the economy work less vigorously.

They hold on even when they should sell. They don't make good investment decisions day-to-day. They make tax driven decisions because we have privileged one form of wealth and holding on to that wealth.

The difference, of course, is if we tax that wealth and particularly decided to invest it in a care economy, I think you described it as the consequence would be more mamas and daddies can go to work, right, and be able to work more productively. More care workers would be paid a wage that lets them support themselves, their families and their economies, and the third generation—the next generation payoff, and more children would get a better start in life. And this is the reason to say pay taxes here so we can make this investment there is a payoff of about 12 to 1.

It makes no sense to pass that up. And that is what is going to be in front of us in this tax fight in 2025. Taxing the ultrawealthy is good for the economy. It is fair. And it is popular. Four out of five Americans support raising taxes on the richest Americans, Democrats, Republicans, and independents. And next year Congress needs to listen to them, not to the billionaires that are trying to fund political campaigns right now.

2025 is an opportunity to reshape the Tax Code. And we need to do more than just be on defense about the Trump tax extensions for the billionaires. We need to be on offense by looking at the whole tax system and saying we can make better investments with our Federal dollars.

So thank you all for being here. I really appreciate this.

You know, thanks to decades of lobbying, the U.S. Tax Code is stuck in a doom loop. It is rigged to benefit the richest corporations and the richest people instead of designed to help working families. We have a chance to change that in 2025 and a chance to fight for a Tax Code that reflects our values. That means investing in middle class and working people. It means making billionaires and big businesses pay their fair share. And it means rejecting bad deals that throw pennies to ordinary Americans while showering the ultrawealthy with even more tax giveaways.

Thank you to both of our witnesses for being here today and for providing this testimony. For Senators who wish to submit questions for the record, those questions are due 1 week from today. That is Wednesday, September 25.

For our witnesses, you will then have 45 days to respond to any question.

Thank you again. Thank you for being here. And with that, this hearing is adjourned.

[Whereupon, at 3:15 p.m., the hearing was adjourned.]

[Prepared statements supplied for the record follow:]

PREPARED STATEMENT OF AI-JEN POO

**PRESIDENT, NATIONAL DOMESTIC WORKERS ALLIANCE; EXECUTIVE DIRECTOR, CARING
ACROSS GENERATIONS**

SEPTEMBER 18, 2024

**Testimony of Ai-jen Poo,
President, National Domestic Workers Alliance
Executive Director, Caring Across Generations**

Senate Committee on Banking, Housing, and Urban Affairs Subcommittee on Economic Policy

**Hearing: The Macroeconomic Impacts of Potential Tax Reform in 2025
September 18, 2024**

Introduction

Chairwoman Warren, Ranking Member Kennedy, and Members of the Committee, thank you for the opportunity to testify today about what is at stake for us, working families, our country, and our economy regarding tax reform in 2025. My name is Ai-jen Poo, and I am the President and co-founder of the National Domestic Workers Alliance (NDWA) and Executive Director of Caring Across Generations.

Founded in 2007, NDWA works to raise wages and strengthen industry standards toward economic security, respect, and workplace dignity for over 3 million domestic workers in the U.S. NDWA represents more than 395,000 nannies, house cleaners and home care workers in all 50 states, with a network of 70 local chapters, affiliate organizations.

Founded in 2011, Caring Across Generations works on behalf of family caregivers, care workers, disabled people, and seniors to change the way we support and value caregiving in our culture and policies in the United States – from aging and disability care, to childcare, to paid family and medical leave, and good jobs for care workers.

Together, NDWA and Caring Across Generations have worked for over a decade to bring attention to the growing need for investments in the care economy and the urgency of transforming care jobs into good jobs with family-sustaining wages and benefits. NDWA and Caring Across are also part of Care Can't Wait, a national coalition of dozens of organizations working together to make caring for families more affordable in America.

Caregiving is both among the most important roles we have in life, and, in America, it is extraordinarily costly. Parents and family caregivers are struggling to afford essential care for their loved ones and filling in the gaps that the current federal system leaves behind, with those in the sandwich generation facing the dual pressures of both child care and elder care, and professional care workers – from child care to direct care – earn poverty wages without access to care for their own families.

In this testimony, I will address how care, like taxes, impacts every aspect of our lives. I will describe why it is both urgent and essential to use public dollars to support Americans struggling with the high cost of care, including caregivers, seniors and disabled people. I will also explain how, when the wealthiest and largest corporations pay their fair share, we can use our public dollars to invest in aging and disability care, paid family and medical leave, early childhood education, and good jobs for care workers.

I share why this approach is a stark contrast to the tax cuts for the rich in the Tax Cut and Jobs Act, signed into law under the Trump Administration in 2017, which disproportionately benefits those with the least amount of need – the ultrawealthy and corporations.

The upcoming expiration of these tax breaks offers a once-in-a-generation opportunity to put the needs of everyday American families over the interests of the rich and corporations. This is how we build an economy with economic opportunity and freedom for everyone.

Using our tax dollars to invest in care supports caregivers, ensures older adults and disabled people receive essential services, and creates an economy for all our families to thrive.

Every day in America, 10,000 babies are born¹, and 10,000 of us turn 65 years-old.² More of us are living longer, which means our population is aging - the number of older adults over 85 years-old is expected to more than double by 2040.³ This is a beautiful thing – it means more time to live, to learn and contribute, to watch our children and grandchildren grow. And it also means as a nation, we need more care than ever before.

For example, millions of people will need aging and disability care, including nearly 70 percent of adults 65 years and older.⁴ An estimated 80% veterans will need long-term care.⁵ Also, more than 1 in 5 people throughout the United States, 53 million of us, are family caregivers, and 11 million are “sandwich” family caregivers, caring for both children and an aging or disabled family member, often with no additional outside assistance and at the expense of their own well-being.^{6,7,8}

Deciding how we spend public dollars through potential reforms using the tax code is one of the most powerful tools we have to lower costs for families, to grow our middle class and strengthen our economy. Just as we need federal dollars for physical infrastructure such as roads and bridges and clean

¹ Brady E. Hamilton, Joyce A. Martin, Michelle J.K. Osterman, “Vital Statistics Rapid Response: Births: Provisional Data for 2023,” Centers for Disease Control and Prevention National Center for Health Statistics, April 2024. <https://www.cdc.gov/nchs/data/vsrr/vsrr035.pdf>

² America Counts Staff, “2020 Census Will Help Policymakers Prepare for the Incoming Wave of Aging Boomers,” United States Census Bureau, Dec. 10, 2019.

³ <https://www.census.gov/library/stories/2019/12/by-2030-all-baby-boomers-will-be-age-65-or-older.html>

⁴ Administration for Community Living, U.S. Department of Health and Human Services, “2023 Profile of Older Americans,” May 2024.

⁵ https://acl.gov/sites/default/files/Profile%20of%20AACL_ProfileOlderAmericans2023_508.pdf

⁶ Administration for Community Living, U.S. Department of Health and Human Services “How Much Care Will You Need?,” February 18, 2020. <https://acl.gov/itc/basic-needs/how-much-care-will-you-need>

⁷ Jordan M. Harrison, “Home and Community-Based Services: Veterans’ Issues in Focus,” RAND, June 26, 2023. [https://www.rand.org/pubs/perspectives/PEA1363-9.html#:~:text=An%20estimated%2080%20percent%20of,lifetime%20\(Hartrout%2C%202021\).](https://www.rand.org/pubs/perspectives/PEA1363-9.html#:~:text=An%20estimated%2080%20percent%20of,lifetime%20(Hartrout%2C%202021).)

⁸ AARP and National Alliance for Caregiving, “Caregiving in the United States 2020,” May 14, 2020.

<https://www.aarp.org/origi/topics/ltss/family-caregiving/caregiving-in-the-united-states/>

⁹ Diverse Elders Coalition, National Alliance for Caregiving, and National Minority Quality Forum, “Caregiving in a Diverse America: Beginning to Understand the Systemic Challenges Facing Family Caregivers,” November 2021. https://caringacross.org/wp-content/uploads/2024/03/NAC_AmgenDiverseCaregiversReport_FinalDigital-112121.pdf

¹⁰ Susan C. Reinhard, Selena Caldera, Ari House, & Rita B. Choula, “Valuing the Invaluable: 2023 Update: Strengthening Supports for Family Caregivers,” AARP, March 2023.

https://archrespoite.org/wp-content/uploads/2023/03/valuing-the-invaluable-2023-update.doi_10.26419-2Fopi.000.82.006.pdf

drinking water, we need care infrastructure, to help enable working parents and caregivers to go to work. As Senator Bob Casey famously said, “Some of us need a bridge or a tunnel to get to work, others of us need child care, or home care.”

Unfortunately, as a nation we lag behind our peers in funding and building the systems to support the care families need, forcing working family caregivers and parents to make impossible choices between caring for their loved ones and working to pay the bills. Meanwhile the low pay for professional care workers makes it difficult to attract and retain a strong care workforce, leading to high rates of turnover, lack of access to quality care for families, and a life of poverty for those who stay in the workforce.

The cost of inaction is too high for people who give and receive care.

Unpaid care work, two-thirds of which is done by women, disproportionately by Black and Asian women and Latinas, is worth more than 1 trillion dollars.⁹ Most people would prefer to live and age in their own homes and communities, but today nearly 700,000 older adults and disabled people remain on waiting lists for Medicaid home and community-based services to receive essential, life-saving care.^{10,11} In 2022, the lack of sufficient funding for child care left families in 11 different states on waiting lists while other families continue to struggle with out-of-pocket costs because of high co-payments, and many more families without any support at all because of strict income requirements for access.¹²

The vast majority of workers in the private sector, more than 70 percent, do not have access to paid family and medical leave through their employer to be able to take care of their own health, provide care for a loved one, or welcome a new child, without the risk of losing their job or draining their savings.¹³ This means one in four new mothers returns to work within two weeks of giving birth.¹⁴ The United States is one of the only countries in the world that does not guarantee paid family and medical leave.¹⁵

⁹ Jessica Mason, Katherine Gallagher Robbins, “Americans’ Unpaid Caregiving is Worth More than \$1 Trillion Annually – and Women are Doing Two-Thirds of The Work” National Partnership for Women & Families, June 27, 2024, <https://nationalpartnership.org/americans-unpaid-caregiving-worth-1-trillion-annually-women-two-thirds-work/>

¹⁰ Hart Research Associates, “Standing Up for Medicaid,” April 13, 2023.

<https://caringacross.org/wp-content/uploads/2023/04/Caring-Across-Generations-Medicaid-Polling.pdf>

¹¹ Alice Burns, Maiss Mohamed, and Molly O’Malley Watts, “A Look at Waiting Lists for Medicaid Home and Community-Based Services from 2016 to 2023,” Kaiser Family Foundation, November 29, 2023.

<https://www.kff.org/medicaid/issue-brief/a-look-at-waiting-lists-for-medicaid-home-and-community-based-services-from-2016-to-2023/>

¹² Karen Schulman, “Precarious Progress: State Child Care Assistance Policies 2022,” National Women’s Law Center, May 2023. <https://nwlc.org/wp-content/uploads/2023/06/State-of-Child-Care-2023-FINAL.pdf>

¹³ U.S. Bureau of Labor Statistics, “Databases, Tables & Calculators by Subject: National Compensation Survey Benefits, Series Title: Percent of Private Industry Workers with Access to Paid Family Leave” Data extracted on Sept. 13, 2024. <https://data.bls.gov/timeseries/NBU2870000000000000033349>

¹⁴ ABT Associates, “Family and Medical Leave in 2012: Detailed Results Appendix”, April 18, 2014.

<https://www.dol.gov/sites/dolgov/files/OASPL/eqacv/files/FMLA-Detailed-Results-Appendix.pdf>

¹⁵ “Is paid leave available to mothers of infants, including maternity and parental?” World Policy Center, January 2022.

<https://www.worldpolicycenter.org/policies/is-paid-leave-available-to-mothers-of-infants-including-maternity-and-parental>

In every state, people pay more for two kids in center-based child care than rent.¹⁶ A room in a nursing home costs approximately \$100,000 per year.¹⁷ And aging and disability care at home, where most people want to receive it, costs between \$60,000 and over \$288,000 per year.^{18,19} It is simply too much for most families to bear.

By generating revenue and using public dollars to invest in our shared need for care, we can help relieve the extreme pressures and financial strain of care. However, cutting taxes for the ultrawealthy and reducing revenue, as with the 2017 tax law, leaves us with even fewer resources to invest in care. The impacts are devastating, especially for families already struggling to make ends meet.

The good news is that across the political spectrum, families overwhelmingly support raising taxes on the wealthiest individuals and corporations to support care and caregiving.²⁰ A recent survey found that two-thirds of respondents across party lines support getting rid of the 2017 tax law for the wealthiest one percent.²¹ A clear and popular solution – for billionaires and big corporations to pay their fair share, and raise the revenue we need to invest in care.

Currently, our tax policies favor those with the least need – corporations and the ultrawealthy – at the expense of families struggling with basic needs for care.

The cost of inaction is unbearable for too many Americans. I just returned from a bus tour across the country to meet caregivers. In Atlanta, I met Martresa, a sandwich generation caregiver caring for her chronically ill mother at home and her young daughter. At a moment when her care responsibilities were at their most intense, she found a spot on her skin. Because she did not have access to caregiving support, she prioritized caring for her family over her own health, a common pattern among caregivers. The day before the bus arrived in Atlanta, she was diagnosed with advanced stage cancer. And she wonders, what will happen to her family?

Martresa is not alone. And her ranks are increasing as chronic illnesses associated with aging like Alzheimer's become epidemics. It doesn't have to be this way. We have solutions, and we know how to get them done. This is why I'm here - to urge you to let the 2017 tax cuts for the wealthiest and big corporations expire and use this opportunity to fund the care American families desperately need. If big

¹⁶The Child Care at a Standstill: Price and Landscape Analysis," Child Care Aware of America.

<https://www.childcareaware.org/thechildcarestandstill/#PriceofCare>

¹⁷Priya Chidambaram and Alice Burns, "10 Things About Long-Term Services and Supports (LTSS)," Kaiser Family Foundation, July 8, 2024.

[https://www.kff.org/medicaid/issue-brief/10-things-about-long-term-services-and-supports-ltss/#:~:text=LTSS%20Qare%20extremely%20expensive%20and,aid%20costs%20\(Figure%202\).](https://www.kff.org/medicaid/issue-brief/10-things-about-long-term-services-and-supports-ltss/#:~:text=LTSS%20Qare%20extremely%20expensive%20and,aid%20costs%20(Figure%202).)

¹⁸Hart Research Associates, "Standing Up for Medicaid," April 13, 2023.

<https://caringacross.org/wp-content/uploads/2023/04/Caring-Across-Generations-Medicaid-Polling.pdf>

¹⁹Priya Chidambaram and Alice Burns, "10 Things About Long-Term Services and Supports (LTSS)," Kaiser Family Foundation, July 8, 2024.

[https://www.kff.org/medicaid/issue-brief/10-things-about-long-term-services-and-supports-ltss/#:~:text=LTSS%20Qare%20extremely%20expensive%20and,aid%20costs%20\(Figure%202\).](https://www.kff.org/medicaid/issue-brief/10-things-about-long-term-services-and-supports-ltss/#:~:text=LTSS%20Qare%20extremely%20expensive%20and,aid%20costs%20(Figure%202).)

²⁰Lake Research Partners, MomsRising, & National Women's Law Center, "National Survey Finds People Strongly Favor Taxing the Rich to Pay for Caregiving Priorities," April 12, 2024.

<https://www.momsrising.org/newsroom/national-survey-finds-people-strongly-favor-taxing-the-rich-to-pay-for-caregiving>

²¹Ibid.

corporations and the wealthiest among us paid their fair share, we would have more than enough revenue to pay for the care we need.

Federal dollars pay for the majority of long-term care services and supports as well as early childhood education, including pay for workers who provide these services.^{22,23} Despite the immense need for a care workforce, these workers are also among the most underpaid. Direct care workers are paid an average of just \$25,000 per year, and child care workers are paid an average of less than \$30,000.^{24,25} These workers are less likely to receive paid family and medical leave and more likely to rely on public benefits.²⁶ This means that more workers are leaving the field, increasing training and turnover costs for employers, and diminishing the quality and consistency of care for families and individuals in need.^{27,28} Public investment to support care workers is essential.

The direct care workforce is overwhelmingly made up of women of color, and 94% of all child care workers are women^{29,30}. These are jobs that cannot be outsourced, and won't be automated. They consistently rank among the fastest growing occupations in the entire workforce because of the demand, particularly for direct care in home and community services for seniors and people with disabilities. Investment in this workforce will create economic mobility for the families and communities they are a part of, in addition to stabilizing the services families, seniors and disabled people need. We have proven solutions to the workforce crisis – including raising the wages and supporting workers' rights to organize, the freedom to join together in a union, to negotiate for improved access to benefits.

²²Congressional Research Service, "Long-Term Services and Supports: History of Federal Policy and Programs", Dec. 20, 2023. <https://crsreports.congress.gov/product/pdf/R/R43328>

²³Stephanie Schmit, "CCDBG FY2024 State-by-State Appropriations Distribution Estimates and Increases," The Center for Law and Social Policy, April 2024. https://www.clasp.org/wp-content/uploads/2024/04/FY-2024-CCDBG-Approps-Increase-Factsheet_April-2024.pdf

²⁴Sarah Angell, Kezia Scales, & Lina Stepick, "Direct Care Workforce State Index: Mapping Workforce Policies and Outcomes," PHI, July 30, 2024. <https://www.phinational.org/resource/direct-care-workforce-state-index-mapping-workforce-policies-and-outcomes/>

²⁵Maureen Coffey, "Still Underpaid and Unequal: Early Childhood Educators Face Low Pay and a Worsening Wage Gap," Center for American Progress, July 19, 2022. <https://www.americanprogress.org/article/still-underpaid-and-unequal/>

²⁶Annette Jacoby, Anamika Sen, Gina Kelley, Alejandra Montoya-Boyer, Rebecca Rewald, & Kaitlyn Henderson, "Unseen Work, Unmet Needs: Exploring the Intersections of Gender, Race and Ethnicity in Unpaid Care Labor and Paid Labor in the US," Oxfam & Prosperity Now, Apr. 25, 2024. <https://oxfamlibrary.openrepository.com/bitstream/handle/10546/621617/rr-unseen-work-unmet-needs-250424-en.pdf>

²⁷Kyle D. Fee, "Using Worker Flows to Assess the Stability of the Stability of the Early Childcare and Education Workforce, 2010-2022," Federal Reserve Bank of Cleveland, Jan. 19, 2024. <https://www.clevelandfed.org/publications/cd-reports/2024/2024.0119-childcare-and-education-workforce>

²⁸PHI, "Direct Care Workers in the United States: Key Facts 2024," Sept. 2024. https://www.phinational.org/wp-content/uploads/2024/09/PHI_Key_Facts_Report_2024.pdf

²⁹"Direct Care Workers in the United States: Key Facts," PHI, 2023. <https://www.phinational.org/wp-content/uploads/2023/09/PHI-Key-Facts-Report-2023.pdf>

³⁰Brooke LePage, "The Child Care and Early Learning Workforce Is Underpaid and Women are Paying the Price," National Women's Law Center, May 2023. <https://nwlc.org/wp-content/uploads/2023/05/child-care-workers-5.25.23v3.pdf>

The 2017 tax law decreased federal revenue by trillions while doing almost nothing to benefit the middle class.³¹ Under current tax law, the wealthiest 1% of households can expect an average benefit of \$60,000 in 2025, while the majority, including most family caregivers, disabled people, and older adults, will receive less than \$500.³² That's \$40 per month. Care workers will average even less – only \$70 per year.³³ For families dealing with tens of thousands in care costs per year, these scant benefits provide little relief.

Take Mary, who is 70-years-old, and still works at an Amazon fulfillment center in Raleigh, North Carolina. She does hard, physical work – sorting and packaging items for delivery. While working at Amazon, Mary was diagnosed with cancer, which meant multiple surgeries over a two-year period. Instead of access to paid leave, Mary received temporary disability, which afforded her 60% of her income – about \$150 per week. That wasn't enough to cover her rent, much less utilities, groceries, and gas.³⁴

Meanwhile, Jillian, from Delaware, has faced an ongoing struggle to find affordable care for her two young children. Jillian spends \$1,300 per month on child care for her 2-year-old son – which alone is nearly triple the amount she might expect to receive in a year from the current tax cuts. Her older son is autistic, and many daycares, even ones with open spots, have refused to take him because of his diagnosis. Since Jillian and her partner both work full-time jobs, her father had to retire from *his* job to care for her son after school. Even with her father's full-time support, Jillian is barely making ends meet.

What Jillian and Mary need are robust investments in the care economy – not \$500 per year in tax cuts. When the wealthiest and big corporations pay more in taxes, there will be more than enough to invest in aging and disability care, paid leave, child care, and good jobs for care workers. Currently, workers lose \$22 billion in wages each year because of the lack of paid leave, and the US loses \$122 billion annually in productivity and revenue due to lack of child care.^{35,36} Care policies also all have large returns on

³¹Congressional Budget Office, "The Budget and Economic Outlook: 2018 to 2028, Appendix B" April 2018. <https://www.cbo.gov/system/files/2019-04/53651-outlook-2.pdf>

³²Chuck Marr, Samantha Jacoby, & George Fenton, "The 2017 Trump Tax Law was Skewed to the Rich, Expensive, and Failed to Deliver on Its Promises, Jun. 13, 2024. <https://www.cbpp.org/research/federal-tax/the-2017-trump-tax-law-was-skewed-to-the-rich-expensive-and-failed-to-deliver>

³³Ibid.

³⁴North Carolina Justice Center Workers' Rights Project, "The Cost of Inaction – 2024 State of Working North Carolina," 2024. <https://stateofworkingnc.org/2024-report/#leave>

³⁵Sarah Jane Glynn, "The Rising Cost of Inaction on Work-Family Policies," Center for American Progress, Jan. 21, 2020. <http://americanprogress.org/article/rising-cost-inaction-work-family-policies/>

³⁶Council for a Strong America, "\$122 Billion: The Growing, Annual Cost of the Infant-Toddler Child Care Crisis," Feb. 2, 2023. <https://www.strongnation.org/articles/2038-122-billion-the-growing-annual-cost-of-the-infant-toddler-child-care-crisis>

investment.^{37,38,39,40} If women's labor force participation were the same in the US as Germany and Canada, which have national paid leave and other family supports, it would mean more than \$775 billion in additional economic activity annually.⁴¹

An historic investment in the care economy would power the middle class and our economy for years to come. It would create an on-ramp to financial stability for millions of care workers, ensure millions of caregivers and parents, especially mothers, could stay in the workforce, and lower the extraordinary cost of having a family.

Conclusion

Each of us will need to give or receive care at some point in our lifetime. Whether it's as disabled people or older adults who are seeking to live independently, parents or other family caregivers who are providing care for their spouses, siblings, children, or care workers who make all other work possible.

The upcoming expiration of 2017 tax law is a critical turning point to demonstrate our priorities and values as a country. We have a choice. We can prioritize increasing the margins of largest corporations and the wealth of the wealthiest among us, or the needs of everyday, middle class families who are the backbone of our workforce. We can continue to leave unpaid caregivers and underpaid care workers alone and unsupported as they keep our economy afloat, or we can invest in the programs and systems that will allow them – and all of us to succeed. I urge you not to let this once-in-a-generation opportunity pass our country by.

Thank you for the invitation to join this hearing and share my testimony.

³⁷White House Council of Economic Advisers, "Seven Facts About the Economics of Child Care," Apr. 17, 2024. <https://www.whitehouse.gov/cea/written-materials/2024/04/17/seven-facts-about-the-economics-of-child-care/>

³⁸National Partnership for Women & Families, "Paid Family and Medical Leave is Good for Business," Oct. 2023. <https://nationalpartnership.org/wp-content/uploads/2023/02/paid-leave-good-for-business.pdf>

³⁹Christian Weller, Beth Almeida, Marc Cohen, & Robyn Stone, "Making Care Work Pay: How Paying at Least a Living Wage to Direct Care Workers Could Benefit Care Recipients, Workers, and Communities," LeadingAge, Sept. 11, 2020. <https://leadingage.org/wp-content/uploads/2022/10/Making-Care-Work-Pay-Report.pdf>

⁴⁰Cara Stepanczuk, Michelle Eckstein, Aparna Kachalia, Alexandra Carpenter, and Andrea Wysocki, "Medicaid Long-Term Services and Supports Use and Expenditures by Service Category, 2019-2021," U.S. Centers for Medicare & Medicaid Services & Mathematica Inc., Jul. 24, 2024. <https://www.medicare.gov/medicaid/long-term-services-supports/downloads/lts-users-expenditures-category-brief.pdf>

⁴¹Sarah Jane Glynn, "The Cost of Doing Nothing, 2023 Update: The Price We STILL Pay without Policies to Support Working Families," Department of Labor Women's Bureau, Nov. 2023. <https://www.dol.gov/sites/dolgov/files/WB/paid-leave/CostofDoingNothing2023.pdf>

PREPARED STATEMENT OF KITTY RICHARDS
SENIOR FELLOW, GROUNDWORK COLLABORATIVE AND ECONOMIC POLICY THINK TANK
SEPTEMBER 18, 2024

Supporting a Thriving Economy through Tax Reform in 2025

Chair Warren, Ranking Member Kennedy, members of the committee, thank you for inviting me to testify today. My name is Kitty Richards, and I'm a Senior Fellow at the Groundwork Collaborative, an economic policy think tank based in Washington, D.C. I am grateful to the Committee for holding this hearing about the macroeconomic impacts of tax reform in 2025.

To support a thriving economy, tax reform must do three things:

First, it must raise substantial new revenue, well above the revenue lost to the failed 2017 Tax Cuts and Jobs Act, to support a 21st-century government that can restore a strong, secure middle class, tackle the existential threat of climate change, and ensure that every American can participate in the economy and reach their full potential.

Second, it must directly redress the skyrocketing income and wealth inequality that has characterized the past 50 years of the American economic experience, with special attention to the persistent racial and gender disparities in wages, wealth, and opportunity that hold our economy back.

Third, it must rebalance economic power away from the wealthy and corporations; putting a brake on extractive practices at the high end that weaken economic performance while enriching shareholders, executives, and highly-compensated professionals at the expense of everyone else; and enhancing the economic power and participation of low- and middle-income workers, especially those who currently provide the more than \$1 trillion¹ in unpaid care work each year that allows all other work to happen.

When tax cuts starve the government, workers, families, and economic performance suffer.

Tax cuts enacted during the Bush and Trump administrations have continually diminished government revenues. As a result, the federal tax system went from raising 20 percent of GDP in revenue in the year 2000 to producing only 16.5 percent of GDP in revenue in 2023, falling trillions of dollars short of what could have been collected otherwise.² Had we simply allowed the Bush tax cuts to expire in 2013 and not enacted the 2017 tax cuts,

¹ Katherine Gallagher Robbins & Jessica Mason, "[New Analysis Shows Unpaid Care Work in the U.S. is Worth More Than \\$1 Trillion Each Year](#)," *National Partnership for Women & Families*, (June 27, 2024)

² Bobby Kogan, Brendan Duke, Jessica Vela, "[The Trump Tax Cuts Led to Record-Low, Not High, Revenues Outside of a Recession](#)," *Center for American Progress*, (August 28, 2024).

revenue would have been sufficient to ensure stable funding for existing services indefinitely, even with the aging of the population and growth in health care costs.³

America has enormous economic opportunities and significant economic challenges, that all require government investment in infrastructure, human capital, and family economic security to meet.⁴ The Biden-Harris administration has made significant strides but there is much more that needs to be done, and an ever smaller amount of revenue to meet these needs.

When we short-change government programs in favor of tax cuts for the wealthy and corporations, we lose out on the huge economic benefits many of these programs provide. Public spending expanding the Child Tax Credit would reduce poverty and deliver benefits nearly ten times greater than the cost.⁵ Expanding the EITC to younger adults and those without children decreases housing hardships and food insecurity and ensures more adults are able to pay their monthly bills and participate in the workforce.⁶ Across the country, families are unable to access affordable child care, elder care, and care for family members with disabilities. According to a 2021 report from the National Women's Law Center, access to child care alone could boost a mother of two's lifetime earnings by approximately \$97,000.⁷ Investing in education and workforce development is crucial for building a stronger workforce and driving economic growth. These investments in workers, especially young workers, equip them with the knowledge and skills necessary to succeed in the labor market, ensure economic prosperity is more widely shared, and enhance productivity in the economy.⁸ A California study found for every \$1 invested in public health, up to \$88 is returned in benefits to society.⁹ Investments in health care would not only improve overall health and well-being, but they also alleviate financial hardships for families and increase productivity in our broader economy.¹⁰ And

³ Bobby Kogan, "[Tax Cuts Are Primarily Responsible for the Increasing Debt Ratio](#)," *Center for American Progress*, (March 27, 2023)

⁴ Somin Park, "[Public investment is crucial to strengthening U.S. economic growth and tackling inequality](#)," *Washington Center for Equitable Growth*, (September 23, 2019).

⁵ Elizabeth Ananat and Irwin Garfinkel, "[The Potential Long-Run Impact of a Permanently Expanded Child Tax Credit](#)," *The ANNALS of the American Academy of Political and Social Science*, (November 1, 2023)

⁶ Jiwan Lee, Katherine Michelmore, Natasha Pilkauskas & Christopher Wimer, "[Effects of the Expansion of the Earned Income Tax Credit for Childless Young Adults on Material Wellbeing](#)," *NBER*, (June 2024)

⁷ Joint Economic Committee Democratic Staff, "[The Many Economic Benefits of Investing in Early Childhood Education](#)," *Joint Economic Committee Democrats*, (April 8, 2024).

⁸ Nishesh Chalise, Violeta Gutkowski, Alice L. Kassens, Ana Hernández Kent, Lowell R. Ricketts, William M. Rodgers III, Nicole Summers-Gabr, "[The State of Economic Equity: Challenges and Opportunities for Advancing Economic Security among U.S. Young Adults](#)," *Federal Reserve Bank of St. Louis*, (March 26, 2024).

⁹ Marquisha Johns and Jill Rosenthal, "[How Investing in Public Health Will Strengthen America's Health](#)," *Center for American Progress*, (May 17, 2022).

¹⁰ *Ibid.*

it's important to note that investments in workers and spending that supports labor supply help reduce inflation.¹¹

We also cannot talk about long-run economic performance without tackling climate change. Investing in clean energy helps mitigate the impact of climate change in the long run and grows our economy right now. In 2023, the clean energy sector accounted for 10% of growth in global GDP.¹²

Tax policy can bolster economic performance by fighting America's skyrocketing inequality, which harms economic performance in multiple ways

The past 50 years of American economic history have been characterized by skyrocketing inequality. Income inequality rose dramatically from 1979 to 2000¹³ in the wake of financial deregulation,¹⁴ anti-unionization efforts,¹⁵ significant drops in tax rates on high incomes, and other economic changes that allowed and incentivized income extraction by those at the very top. This trend has continued in this century, with data released by the Congressional Budget Office (CBO) just this month showing that the average income for the top 1% of households is now 42 times greater than the average income for the bottom 90% of households—the biggest gap since the data have been collected¹⁶. Wealth inequality is even starker, as income inequality and the growth of pre-existing wealth compound year after year. The top 0.1% of American households now hold 13.6% (\$20.66 trillion) of the nation's total wealth, according to data collected by the Federal Reserve. In contrast, in 1989, this group's share was 8.5%.¹⁷ Inequality is even more pronounced among different racial and ethnic groups¹⁸ and significantly higher in the US than in peer nations.

This inequality is not just profoundly unfair, and damaging to the welfare of the large majority of Americans who have been left behind, it also has a negative impact on economic growth through multiple channels. As Heather Boushey, co-founder of the

¹¹ Rose Khattar, Christian Weller, David Correa, "[Investing in Workers Can Further Ease Inflation and Boost Economic Growth](#)," *Center for American Progress*, (August 30, 2023).

¹² Laura Cozzi, Timur Gül, Thomas Spencer, Peter Levi, "[Clean energy is boosting economic growth](#)," *International Energy Agency*, (April 18, 2024).

¹³ Josh Bivens and Asha Banerjee, "[Inequality's drag on aggregate demand](#)," *Economic Policy Institute*, (May 24, 2022).

¹⁴ Daniel Waldenström and Julia Tanndal, "[Big Bang financial deregulation and income inequality: Evidence from UK and Japan](#)," *Centre for Economic Policy Research*, (April 13, 2016).

¹⁵ David Jacobs and Lindsey Myers, "[Union Strength, Neoliberalism, and Inequality: Contingent Political Analyses of U.S. Income Differences since 1950](#)," *American Sociological Review*, (June 9, 2014).

¹⁶ Congressional Budget Office, "[The Distribution of Household Income in 2021](#)," *Congressional Budget Office*, (September 2024)

¹⁷ "[Distribution of Household Wealth in the U.S. since 1989](#)," *Federal Reserve*, (June 14, 2024).

¹⁸ Indivar Dutta-Gupta, "[Ensuring Fair Taxation of the Ultrawealthy to Strengthen Our Nation](#)," (September 12, 2024).

Washington Center for Equitable Growth and current Member of the Council of Economic Advisors explains, inequality harms growth by:¹⁹

*“- Obstructing the supply of people and ideas into our economy and limiting opportunity for those not already at the top, which slows productivity growth over time.
- Subverting the institutions that manage the market, making our political system ineffective and our labor markets dysfunctional
- Distorting demand through its effects on consumption and investment, which both drags down and destabilizes short- and long-term growth in economic output”*

One major mechanism, explored by researchers at the OECD, is the way in which inequality hampers human capital growth for those at the bottom of the income distribution, preventing large swaths of the population from reaching their potential and contributing fully to the economy.²⁰ Racial and gender discrimination and inequity also have significant economy-wide costs mediated through earnings inequality.²¹

In addition to the many ways in which inequality dampens the supply of workers and capital to the economy, recent research has shed light on the way that growing inequality can lead to long-run stagnation in aggregate demand.

Close to 70% of aggregate demand is driven by consumer spending²², but the consumers most likely to spend—those in the lower- and middle quintiles—have lost ground to those with the very highest incomes who are least likely to spend. A recent analysis by the Economic Policy Institute finds that between 1979 and 2018, income inequality reduced growth in aggregate demand by about 1.5% of GDP.²³ This lack of demand has spurred a corresponding lack of investment, with firms sitting on record-high levels of cash—[even before the pandemic](#).²⁴ The best incentive for a firm to invest is the opportunity to sell its product to eager customers. Income inequality's distortionary effect on consumer demand can also drive up inflation, including, paradoxically, causing lower-income households to face higher rates of inflation as companies invest more of their resources

¹⁹Heather Boushey, "[Testimony by Heather Boushey before the Joint Economic Committee](#)," Washington Center for Equitable Growth, (October 16, 2019)

²⁰"[The impact of income inequality on economic growth](#)," OECD, (May 21, 2015).

²¹Shelby R. Buckman, Laura Y. Choi, Mary C. Daly, Lily M. Seitelman, "[The Economic Gains from Equity](#)," Federal Reserve Bank of San Francisco, (April 2021).

²²Heather Boushey, "[Testimony before the Joint Economic Committee, Hearing on 'Measuring Economic Inequality in the United States](#)," Washington Center for Equitable Growth, (October 16, 2019).

²³Ibid.

²⁴Nina Trentmann, "[US Corporate Stockpiles Grow, Soaring to Record \\$4.11 Trillion](#)," Bloomberg, (June 13, 2024).

into competing for the dollars of the wealthy few at the expense of innovation and competition in cheaper product categories.²⁵

An economy that grows from the bottom up and the middle out is a strong, resilient economy. Tax reform must turn back the tide of inequality.

The tax code should support workers and families, and discourage extractive activity by corporations and the wealthy

There is a growing body of literature exploring the many ways in which our tax system shapes economic outcomes through mechanisms beyond redistribution. When we tax income from wealth at lower rates than income from work, give outsized tax breaks to powerful multinational corporations, or support the most damaging practices of private equity firms, we distort the allocation of resources and encourage unproductive, extractive behavior, creating worse outcomes for families and the macroeconomy as a whole. Because many of these issues are highly specific, I cover the evidence in more detail below, tied to specific tax reforms.

Restore the Corporate Tax

Since the TCJA cut the maximum statutory corporate income tax rate from 35 percent to 21 percent, the United States' top corporate rate, including state corporate taxes, has dropped to below that of all other G7 countries except the United Kingdom. More importantly, because of the many ways in which U.S. corporations can avoid paying tax, we raise less revenue from our corporations as a share of the economy than almost any other country in the OECD. In fact, at 1.6 percent of GDP, our corporate tax revenues are only half of the OECD average of 3.2 percent of GDP.²⁶ This despite the fact that the United States has the most profitable corporate sector in the world.²⁷

But the real story is even worse. According to the Congressional Budget Office, corporate revenues as a share of GDP are set to fall to 1.2 percent of GDP in the coming decade.²⁸

The corporate profits tax is one of the most progressive tax instruments we have, and reducing corporate revenues thus increases income and wealth inequality. The vast

²⁵ Christopher Wimer, Sophie Collyer, Xavier Jaravel, "[The Costs Of Being Poor: Inflation Inequality Leads To Three Million More People In Poverty](#)," *Groundwork Collaborative and Center on Poverty and Social Policy*, (November 2023)

²⁶ Tax Policy Center Briefing Book, "[Tax Policy Center Briefing Book: Key Elements of the U.S. Tax System](#)" *Tax Policy Center*, (January 2024)

²⁷ Benji Hyam, "[Most Profitable Companies: U.S. vs. Rest of the World, 2023](#)," *Grow and Convert*, (November 29, 2023).

²⁸ Congressional Budget Office, "[An Update to the Budget and Economic Outlook: 2024 to 2034](#)," *Congressional Budget Office*, (June 2024)

majority of the benefit of cuts in the corporate tax flow to wealthy shareholders, including 17 percent to foreign shareholders, and the remainder accrues largely to high-income corporate executives and managers.²⁹

This is exactly what we saw in the wake of the TCJA. Outlandish promises of booming business investment leading to \$4,000 per year wage increases for typical workers never came true. Instead, numerous studies³⁰ have shown that the TCJA's corporate cuts did not spur additional investment that trickled down to workers, but instead spurred massive dividends and stock buybacks.

In fact, economic performance may actually have been *hindered* by cuts to the corporate tax rate. In a world of perfect competition, corporate taxes theoretically reduce the amount of productive investment in the economy, reducing economic growth and performance in the long run. Empirical evidence has never provided much support for this theory, and more modern techniques show that the old theories may have things exactly backwards. This is because markets are increasingly dominated by powerful firms whose profits are primarily economic rents, not the returns to productive activity. When these powerful firms are able to pay ever-higher returns to shareholders, they drive up the cost of capital for other, more productive firms, lowering investment, growth, employment and wages. This was exactly what the TCJA's corporate tax rate cuts did, according to a study by the Institute for Macroeconomic and Policy Analysis at American University, which is able to account for market rents and their effect on equity prices in their macroeconomic model.³¹

If policymakers wish to enhance macroeconomic performance, they should restore the corporate tax to a major source of progressive revenue for the U.S. Government, and ensure that it functions as a brake on corporate power and profiteering, not an accelerant. This can be accomplished by raising the corporate tax rate, including raising it back to 35 percent for the most profitable corporations, closing corporate loopholes, and eliminating current preferences for foreign-source income.

The U.S. should also move swiftly to follow Europe's lead to implement a system of international taxation that is compliant with the OECD global minimum tax agreement.³²

²⁹ Jean Ross, "The Tax Cuts and Jobs Act Failed To Deliver Promised Benefits," *Center for American Progress*, (April 30, 2024)

³⁰ Chuck Marr, "[Record Stock Buybacks Bolster Case for Raising Corporate Tax Rate](#)," *Center on Budget and Policy Priorities*, (June 24, 2024)

³¹ Lidia Brun Carrasco, Ignacio Gonzalez Garcia, Juan Montecino, "[New Macroeconomic Model Shows TCJA Corporate Tax Cut was Harmful to the Economy in both Aggregate and Distributional Terms](#)," *Institute for Macroeconomic and Policy Analysis*, (December 7, 2023)

³² Thomas Brosy, "[A Primer On The OECD's Global Minimum Tax And How It Could Affect The US](#)," *Tax Policy Center*, (March 5, 2024)

This will increase U.S. tax revenues and prevent corporations from forcing a global race-to-the-bottom in corporate taxation.

Restore tax rates on the highest incomes

Both the Bush and Trump Administration tax cuts, and the Obama-era partial extension of the Bush tax cuts, were incredibly skewed to the rich, and top income tax rates have fallen repeatedly and dramatically over the past 60 years.

These rate cuts were often sold as good for the economy based on trickle-down theories, but multiple studies have concluded that lower tax rates on the rich do not stoke economic growth. In fact, the highest periods of growth in incomes for most Americans have coincided with higher tax rates on the highest earners³³ In addition to funding key government services and battling distortionary inequality, higher tax rates on the rich can discourage unproductive rent-seeking behaviors by high-income workers, leaving more compensation on the table for lower-income workers to share and encouraging a more-productive distribution of resources.³⁴

Simply allowing the top income tax rates to revert back to their pre-TCJA levels will not go far enough, and it is important to reform the many special tax breaks that high-income households disproportionately benefit from. Additionally, reforms geared to changing the taxation of capital income are urgently needed.

Tax wealth like work

Under the current individual income tax, the highest-income Americans often pay a much lower share of their income in taxes than working people.³⁵ This is primarily due to a combination of three factors: preferential tax rates on capital income, our failure to tax capital income when it accrues, and the stepped-up-basis loophole that compounds this problem by allowing income on assets held until death to go untaxed permanently.

While tax preferences for capital gains and dividends were supposed to increase economic activity by increasing savings and investment, the empirical evidence for this theory is weak. Aggregate savings in the economy is much more readily affected by government savings or dissavings than by attenuated tax incentives, and household savings rates, especially at the top where most savings accrue, are markedly

³³ Emanuel Saez, "[Taxing the rich more—evidence from the 2013 federal tax increase](#)," *Washington Center for Equitable Growth*, (2016).

³⁴ Kitty Richards, "[Taxes and Rents: The Power of Tax Policy to Shape the Distribution of Pre-Tax Income](#)," (February 6, 2019).

³⁵ Greg Leiserson and Danny Yagan, "[What is the Average Federal Individual Income Tax Rate on the Wealthiest Americans?](#)," *Council of Economic Advisers and Office of Management and Budget*, (September 23, 2021)

nonresponsive to changes in the after-tax return.³⁶ Nor do tax breaks on capital income increase corporate investment in capital or workers.³⁷ What these tax preferences do is supercharge inequality, as low-taxed income from wealth compounds year after year.

As such, increases in individual income tax rates on dividends and capital gains have the power to reduce income and wealth inequality over time, and raise substantial revenue, without negatively affecting economic growth. In fact, a reduction in the after-tax return on equity may allow firms to access financing more cheaply, an effect which can lead increased capital gains and dividends taxes to be mildly *expansionary* in the long run.³⁸

Truly taxing income from wealth on par with income from work requires not just increasing the tax rate on capital gains and dividends, but ensuring that capital gains income is taxed as it accrues, not only when it is “realized” for tax purposes through sale, transfer, or other event. There are a number of proposals for taxing so-called “unrealized gains,” and for administrative and other reasons they tend to focus on only the wealthy, and have provisions for dealing with illiquid and difficult-to-value assets.

The Biden Administration budget proposal, for example, applies the top ordinary income tax rate to realized capital gains, but also includes the Billionaire Minimum Income Tax, which would ensure that taxpayers with more than \$100 million in assets pay a minimum of 25 percent of their income in taxes, using an expanded definition of income that includes unrealized capital gains.³⁹ It should be noted that this expanded definition of income, often referred to as “economic income,” is not new. Rather, it is the textbook definition that has been used by economists for decades.⁴⁰

Senate Finance Committee Chair Ron Wyden released a plan in 2019, introduced as legislation during this Congress with the support of members of this panel, to tax capital gains at the same rate as ordinary income with “anti-deferral accounting rules” for ultra-wealthy taxpayers, requiring that they pay tax immediately on gains on tradable property like securities (so-called “mark-to-market” accounting), and pay a deferral charge upon the realization of untaxed gains on other assets.⁴¹

³⁶ Jane G. Gravelle and Donald J. Marples, “Can Tax Policy Increase Saving?” *Congressional Research Service*, (June 11, 2024).

³⁷ Danny Yagan, “Capital Tax Reform and the Real Economy: The Effects of the 2003 Dividend Tax Cut,” *American Economic Review*, (2015)

³⁸ Ignacio Gonzalez Garcia, Juan Montecino, Vasudeva Ramaswamy, “Assessing the Effects of a Dividend and Capital Gains Tax Increase,” *Institute for Macroeconomic and Policy Analysis*, (June 7, 2024)

³⁹ “Budget of the U.S. Government - FISCAL YEAR 2025,” *The White House*, (2024).

⁴⁰ Joel Slemrod, Jon Bakija, “Taxing Ourselves: A Citizen’s Guide to the Debate Over Taxes,” *MIT Press*, (2017).

⁴¹ Senator Ron Wyden (D-OR), “[Treat Wealth Like Wages](#),” *Senate Finance Committee Democrats*

The realization requirement allows massive tax avoidance and game-playing by the ultra-wealthy. For the very wealthiest Americans—such as the 800 or so billionaires who collectively hold more wealth than the bottom 50% of all US households—the current federal income tax system is effectively voluntary.⁴² As a group of 219 economists and law professors wrote to Senate leaders in 2021, “scholars estimate that over three-quarters of the investment income of ultra-wealthy taxpayers fully and permanently escapes the existing income tax.”⁴³ Many multibillionaires including Jeff Bezos, Elon Musk, George Soros, Warren Buffett, Michael Bloomberg and Carl Icahn each paid zero federal income taxes in recent years, despite having extraordinarily high economic incomes.⁴⁴ The non-taxation of unrealized capital gains is a huge part of this story.

The very wealthy do not have to sell their assets to access cash for consumption or new investments. Instead, they take out special bespoke loans with below-market interest rates using their assets as collateral.⁴⁵ One high-profile example from the real world involved Elon Musk’s 2022 purchase of Twitter, which he sought to finance using a \$12.5 billion margin loan⁴⁶ against his Tesla stock in order to use those assets like cash, without actually cashing them in and paying taxes on the sale. Similarly, Oracle CEO Larry Ellison has a personal credit line secured with 300 million shares of Oracle stock, worth roughly \$45 billion.⁴⁷

This is not just a problem for revenue. As conservative scholars at the American Enterprise Institute note in their defense of the taxation of unrealized gains: “A realization requirement is undesirable because a realization-based tax system is economically incoherent... it creates economic distortions, such as an incentive to hold on to assets that have gone up in value, as well as unfairness, as equally well-off individuals are taxed differently based on when they buy and sell...”⁴⁸ This incentive to hold assets that have gone up in value is known as “lock-in,” and it reduces economic performance by keeping investment dollars stuck in lower-return assets, and entrepreneurs inefficiently managing large firms rather than creating new, high-value start-ups.⁴⁹ When coupled with the stepped-up basis, this effect also encourages the elderly to inefficiently hold on to assets, including housing, that they no longer make use of.

⁴² [“THE BILLIONAIRE CENTURY.”](#) *Americans for Tax Fairness*, (July 11, 2024).

⁴³ [“219 ECONOMISTS & LAW PROFESSORS SUPPORT THE BILLIONAIRES INCOME TAX.”](#) *Americans for Tax Fairness*, (December 9, 2021).

⁴⁴ Jesse Eisinger, Jeff Ernsthausen and Paul Kiel, [“The Secret IRS Files: Trove of Never-Before-Seen Records Reveal How the Wealthiest Avoid Income Tax.”](#) *ProPublica*, (June 8, 2021).

⁴⁵ Rachel Louise Ensign and Richard Rubin, [“Buy, Borrow, Die: How Rich Americans Live Off Their Paper Wealth.”](#) *Wall Street Journal*, (July 13, 2021).

⁴⁶ Cara Lombardo and Liz Hoffman, [“How Elon Musk Won Twitter.”](#) *Wall Street Journal*, (April 26, 2022).

⁴⁷ Chuck Marr and Samantha Jacoby, [“Arguments Against Taxing Unrealized Capital Gains of Very Wealthy Fall Flat.”](#) *Center on Budget and Policy Priorities*, (September 11, 2024)

⁴⁸ Stan Veuger, Alex Brill, Kyle Pomerleau, [“This Corporate Law Case Could Accidentally Overturn U.S. Taxes.”](#) *American Enterprise Institute*, (December 4, 2023).

⁴⁹ V.V. Chari, Mikhail Golosov, Aleh Tsyvinski, [“Business Start-ups, The Lock-in Effect, and Capital Gains Taxation.”](#) *Yale Department of Economics*, (February 2005).

Another key piece of the puzzle is estate, gift, and inheritance taxes. Despite the claims of the faux-populist movement of the 1990s and 2000s, inheritances are an extreme source of inequality. According to data from the Federal Reserve, analyzed by the Washington Post⁵⁰, by age 74, 60 percent of Americans have not received any inheritance at all. For those in the bottom half of the income distribution, the share never having received zero inheritance by age 74 is over 80 percent, and the same is true for Black and Hispanic respondents. For the lucky Americans who do receive an inheritance, the average value by age 74 is \$344,000, but this includes the small number of Americans who receive inheritances in the millions, or even billions, of dollars.⁵¹ Under our current tax system, people who inherit money rather than earning it are not subject to income taxes on these amounts, and thanks to serial cuts beginning in the Bush Administration and growing dramatically under the TCJA, the federal estate tax, levied at the donor level, affects a vanishingly small share of estates and fails to significantly redress the profound concentration of intergenerational wealth in the United States.⁵²

Invest in Families through Expansions of the Earned Income Tax Credit and the Child Tax Credit

In the American Rescue Plan, Congress made the Child Tax Credit (CTC) fully refundable, so the poorest families were able to finally qualify for the benefit. Additionally, they increased the payment from \$2,000 to \$3,600 and allowed families to receive payments monthly. Expanding the CTC, caused child poverty to fall to historic lows⁵³ and pulled approximately 3 million⁵⁴ children out of poverty in 2021.

The extended Child Tax Credit expired at the end of 2021. If the CTC expansion had been made permanent, child poverty would have remained at historic lows rather than experiencing its largest spike in 50 years.⁵⁵ Children from low-income households across

⁵⁰Andrew Van Dam, "[How inheritance data secretly explains U.S. inequality](#)," *Washington Post*, (November 10, 2023)

⁵¹Lily Batchelder, "[Leveling the Playing Field between Inherited Income and Income from Work through an Inheritance Tax](#)," *Tackling the Tax Code: Efficient and Equitable Ways to Raise Revenue*, Hamilton Project and Brookings, (January 2020)

⁵²Center on Budget and Policy Priorities, "[Policy Basics: The Federal Estate Tax](#)," *Center on Budget and Policy Priorities*, (November 7, 2018)

⁵³Sophie Collyer, Megan Curran, David Harris, and Christopher Wimer, "[Children Left Behind by the Child Tax Credit in 2022](#)," *Center on Poverty and Social Policy*, (2023).

⁵⁴Joint Economic Committee Democratic Staff, "[Expanded Child Tax Credit Drove Largest-Ever Drop in Child Poverty](#)," *Joint Economic Committee Democrats*, (November 30, 2022).

⁵⁵Sharon Parrott, "[Record Rise in Poverty Highlights Importance of Child Tax Credit: Health Coverage Marks a High Point Before Pandemic Safeguards Ended](#)," *Center on Budget and Policy Priorities*, (September 12, 2023).

all racial and ethnic backgrounds would earn 7 to 12 percent higher annual incomes by age 30, which translates to an extra \$2,000 to \$3,400.⁵⁶

The Earned Income Tax Credit has also been a powerful tool for reducing poverty and supporting the labor force participation of low-wage workers, especially women with children.⁵⁷ Expanding the EITC to cover younger and older workers and provide a larger wage subsidy to workers without children in the home would enhance these effects.⁵⁸

⁵⁶ Nikhita Airi, "[Permanently Expanding the Child Tax Credit Would Increase Kids' Lifetime Earnings and Education](#)," *Urban Institute*, (January 31, 2024).

⁵⁷ Tax Policy Center Briefing Book, "[Key Elements of the U.S. Tax System](#)," *Tax Policy Center*, (January 2024)

⁵⁸ Jiwan Lee, Katherine Michelmore, Natasha Pilkauskas & Christopher Wimer, "[Effects of the Expansion of the Earned Income Tax Credit for Childless Young Adults on Material Wellbeing](#)," *NBER*, (June 2024)

May 21, 2024

The Honorable Charles Schumer
Majority Leader
S-221, The Capitol
Washington, D.C. 20510

The Honorable Mitch McConnell
Minority Leader
S-230, The Capitol
Washington, D.C. 20510

The Honorable Mike Johnson
Speaker
H-232, The Capitol
Washington, D.C. 20515

The Honorable Hakeem Jeffries
Minority Leader
H-204, The Capitol
Washington, D.C. 20515

The Honorable Ron Wyden
Chair, Senate Finance Committee
219 Dirksen Senate Office Building
Washington, D.C. 20510

The Honorable Mike Crapo
Ranking Member, Senate Finance Committee
219 Dirksen Senate Office Building
Washington, D.C. 20510

The Honorable Jason Smith
Chair, Committee on Ways and Means
1139 Longworth House Office Building
Washington, D.C. 20515

The Honorable Richard Neal
Ranking Member, Committee on Ways and Means
1139 Longworth House Office Building
Washington, D.C. 20515

Dear Majority Leader Schumer, Minority Leader McConnell, Speaker Johnson, Minority Leader Jeffries, Chair Wyden, Ranking Member Crapo, Chair Smith, and Ranking Member Neal:

In 2025, we urge you to enact true pro-growth tax reform that supports public investments, brings good jobs back from overseas, combats harmful concentrations of economic power, reduces poverty and racial disparities, improves health, and directly mitigates the economic risks of climate change and an unsustainable fiscal trajectory.

The pre-2017 tax code was deeply flawed: it did not generate enough revenue to support pro-growth investments and fiscal responsibility; it reinforced economic, gender, and racial disparities; and it asked too little of the very wealthy and large corporations. In 2017, President Donald Trump and congressional Republicans pushed through a tax bill that made those problems worse. Over the unanimous opposition of congressional Democrats and against the wishes of the majority of the public, the Trump tax bill – the Tax Cuts and Jobs Act (TCJA) – made massive and permanent cuts to corporate taxes and temporary cuts to individual and estate taxes that have largely benefitted the wealthy and eroded tax revenues even further.

At the end of 2025, several provisions of the Trump tax law will expire. We urge you to use the expiration of these provisions as an opportunity to address long-standing problems with our tax code, not just to tinker around the edges. Congress should pursue reforms – including corporate tax reforms – that stem the decades-long tide of tax cuts for the rich and corporations that have undermined fairness, eroded revenues needed for pro-growth investments, and stifled economic opportunity.

Specifically, we believe that any 2025 tax reform effort must, at a minimum, achieve three concrete goals:

- Make the tax code **more fair** by asking high-income households (those who take home more than \$400,000), the extremely wealthy, large profitable corporations, and Wall Street to pay a greater share of their income in taxes than if each of the expiring TCJA provisions were simply allowed to expire, while also restoring essential supports for children and families with low or moderate income or wealth and families who've experienced discrimination.
- Raise **more revenue** than would be generated by letting all of the temporary TCJA provisions sunset, so that we can support much-needed investments in everyday Americans; make good on our commitments to our seniors, families, and historically underfunded communities; and reduce our fiscal risks.
- Support **greater and more inclusive economic growth** by providing more financial security and opportunities for typical Americans, narrowing racial wealth gaps by boosting economic mobility, and disincentivizing economically harmful conduct by large corporations.

To begin, the latest analysis confirms that the **Trump tax bill was a failure on its own terms**. The Trump Administration claimed that the TCJA's corporate tax cuts would lead to significantly [higher wages for typical workers](#), but in reality, workers who earned less than \$114,000 – the overwhelming majority of Americans – [did not experience any increase in earnings](#) from the TCJA while the compensation of top corporate executives [skyrocketed](#). TCJA supporters also claimed the tax cuts would “pay for themselves,” but instead the Congressional Budget Office projects that they will increase deficits by [nearly \\$2 trillion](#) over a 10-year period.

The Trump tax bill was a large and costly mistake, and the expiration of many of its key provisions presents an opportunity for Congress to do better for the American people in 2025. The 2025 reform effort should accomplish three goals:

First, any 2025 tax reform effort must require the rich and large corporations to begin paying their fair share—meaning they pay a higher effective tax rate than they would have had the TCJA not been enacted—while also restoring essential support for children and families with low or moderate income or wealth and families who've experienced discrimination.

Over the last [sixty years](#), the very richest Americans have [lobbied for](#) and received a dramatic reduction in their tax rates. The richest Americans today pay a far lower average tax rate than they did in decades past. A tax code that allows many wealthy individuals to pay a lower proportion of their income in tax than teachers or firefighters is fundamentally unfair.

Tax reform must result in a more progressive tax code that asks higher-income and higher-wealth households, corporations, and Wall Street to pay a greater share of their income in tax than they would in the absence of the TCJA. It must ensure that Wall Street and other highly profitable firms cannot masquerade as mom-and-pop small businesses to lower their taxes. Reform must also ensure that large firms cannot exploit the tax code to stifle competition and shift their profits, investments, and American jobs offshore. Finally, fairness means putting more money in the pockets of low-income and middle-class people—including through expanding tax credits—and not extending tax cuts or restoring tax breaks for those making over \$400,000 per year.

Second, any 2025 tax reform must raise more revenue than would be generated by letting all of the temporary TCJA provisions sunset, so that we can support much-needed investments in everyday

Americans; make good on our commitments to our seniors, families, and historically underfunded communities; and reduce our fiscal risks.

Revenues have been repeatedly eroded by rounds of tax cuts under the [Bush](#) and Trump administrations. These cuts produced a tax code that generated just 16.5 percent of GDP in revenue in 2023, trillions of dollars lower than what would have been generated otherwise. Were it not for the Bush tax cuts and the Trump tax cuts, the national debt, as a percent of GDP, would also be on a [permanent downward trajectory today](#).

We need a tax code that generates sufficient revenue to fund our national priorities while appropriately reducing fiscal risks. The pre-TCJA tax code was expected to generate roughly 18 percent of GDP, but even that level is ultimately below what is needed to ensure adequate investments in our children, reduce poverty, address racial and gender disparities, fulfill our commitments to America's seniors, veterans, and people with disabilities—and support our continued growth and prosperity as a country. That is why the 2025 tax reform must generate substantially more revenue than simply letting all of the temporary provisions in the TCJA expire.

Third, any 2025 tax reform effort should lead to greater, more sustainable, and more inclusive economic growth by providing more financial security and opportunities for typical Americans, narrowing racial wealth gaps by boosting economic mobility, and disincentivizing economically harmful conduct by large corporations.

The Trump tax cuts relied on the economic argument that huge tax cuts for the rich and large corporations would trickle down to the typical American or produce a boom in economic growth. That trickle-down approach has unequivocally failed. Tax reform must reflect that America's economy grows fastest from the bottom up and middle out, and that growth should not leave anyone behind.

True pro-growth tax reform next year must support public investments, combat harmful concentrations of economic power and the racial wealth gap, reduce poverty and racial and gender disparities, and directly mitigate the economic risks of climate change and an unsustainable fiscal trajectory. This strengthens our economy and expands opportunity for all.

Under the Biden Administration, we have seen that investments in everyday people are the real key to economic growth. Policies like investing in a [robust care infrastructure](#) facilitate economic growth as more workers – and women in particular – fully participate in the labor force and care workers see increases in pay and job quality. Expanding the Child Tax Credit plays a critical role in [reducing family poverty](#), while climate investments build a more [sustainable energy system](#) that strengthens supply chains and cuts costs for families.

The tax code is one of our most powerful tools to shape the economy. For too long, it has been slanted towards the wealthy and large corporations, and the economy and our country have suffered as a result. The expiration of key provisions of the Trump tax bill in 2025 is a rare opportunity to correct the mistakes of the past, address long-standing problems with our tax code, and help produce an economy that works for all Americans.

Sincerely,

20/20 Vision
ACA Consumer Advocacy
Accountable.US
Affordable Homeownership Foundation Inc.
AFL-CIO
AFT
Alliance for Retired Americans
American Federation of Government Employees
American Federation of State, County and Municipal Employees (AFSCME)
American Postal Workers Union (APWU)
Americans for Tax Fairness
Autistic Self Advocacy Network
Blue Future
Care in Action
Caring Across Generations
Center for American Progress
Center for Popular Democracy
Center for the Study of Social Policy
Center on Budget and Policy Priorities
Change Machine
Chicago Political Economy Group
Children's Defense Fund
CLASP
Coalition on Human Needs
Color Of Change
Colorado Consumer Health Initiative
Communications Workers of America (CWA)
Community Catalyst
Community Change
Demos
Economic Policy Institute
Economic Security Project Action
Equal Rights Advocates
Fair Share America
Family Values at Work
Family Values@Work Action
Fast-Track Cities Institute
First Focus Campaign for Children
Foster America
Friends of the Earth
Golden State Opportunity
Greenpeace USA
Groundwork Collaborative

Health Care for America Now (HCAN)
 Health Care Voices
 HedgeClippers
 In the Public Interest
 Indivisible
 Institute for Local Self-Reliance
 Institute for Policy Studies, Global Economy Project
 Institute for Women's Policy Research
 Institute on Taxation and Economic Policy
 Instituto del Desarrollo de la Juventud
 International Federation of Professional and Technical Engineers (IFPTE)
 Jewish Women International
 Joint Center for Political and Economic Studies
 Justice and Joy National Collaborative (formerly National Crittenton)
 Justice in Aging
 Latino Farmers & Ranchers International, Inc.
 Main Street Alliance
 #MEAction
 Media Voices for Children
 Missionary Oblates of Mary Immaculate
 MomsRising
 MoveOn
 NAACP
 National Black Justice Coalition
 National Center for Lesbian Rights
 National Center for Transgender Equality
 National Community Action Partnership
 National Consumers League
 National Disability Institute
 National Domestic Workers Alliance
 National Education Association
 National Employment Law Project
 National Federation of Federal Employees
 National Immigration Law Center
 National Organization for Women
 National Partnership for Women & Families
 National Women's Law Center
 NETWORK Lobby for Catholic Social Justice
 Office and Professional Employees International Union (OPEIU)
 Oxfam America
 P Street
 Patriotic Millionaires
 People Power United
 Peoples' Action

Poder Latinx
PolicyLink
Poverty Project at the Institute for Policy Studies
Public Advocacy for Kids (PAK)
Public Citizen
Responsible Wealth
Roosevelt Institute
RootsAction.org
SAG-AFTRA
SEIU
Sembrando Sentido
Small Business For America's Future
Social Work Grand Challenge on Reducing Extreme Economic Inequality
State Revenue Alliance
Take on Wall Street
The Leadership Conference on Civil and Human Rights
The Maven Collaborative
The National Domestic Violence Hotline
The Restaurant Opportunities Centers United (ROC UNITED)
Transgender Legal Defense & Education Fund (TLDEF)
Transport Workers Union of America
Unitarian Universalists for Social Justice
United Auto Workers
United Church of Christ
United for a Fair Economy
United Steelworkers (USW)
Unrig Our Economy
Voices for Progress
Voters Rights and Protection Taskforce
Washington Center for Equitable Growth