November 13, 2017

Senate Finance Committee
United States Senate
Washington, D.C. 20510

Dear Senator:

On behalf of the 1.6 million members of the American Federation of State, County and Municipal Employees (AFSCME), I urge you to oppose the tax plan proposed by Senate Finance Committee Chair, Orrin Hatch.

The Hatch tax plan would worsen current wealth inequality through new costly tax giveaways to the wealthiest one percent and large profitable corporations. This plan reduces tax rates and creates new tax breaks for millionaires and billionaires and encourages multinational conglomerates to outsource U.S. jobs and profits to low-tax countries and tax havens. In contrast, it would provide most low-income and working class Americans with relatively limited benefits. Worse, experts estimate it would increase taxes on millions of middle-class taxpayers. Further, it would force future cuts in Medicare, Medicaid, Social Security, education, and other vital public services to pay for these tax breaks.

On the individual side, many of the plan’s proposals are extremely regressive. AFSCME strongly opposes reducing the tax rate to 25 percent on pass-through business income, which mostly benefits wealthy business owners, including real estate developers, lawyers, doctors, and accountants. This provision would provide absolutely no benefit to true small businesses struggling to make a profit. Unfortunately, the plan would reduce the top tax rates on the highest earners. It also would apply these tops rates to fewer high earners. For example, it reduces the top personal tax rate from 39.6 percent to 38.5 percent and increases the starting point of this rate for married joint filers from about $418,400 to $1 million. It is troubling the plan would repeal the Alternative Minimum Tax (AMT), which is now set at 26 percent and 28 percent and applies almost exclusively to the wealthiest 1 percent, losing of $706 billion in revenues. Finally, the plan would double the current basic exemption on the estate tax, gift, and generation-skipping tax from $11 million to $22 million per couple, which reduces federal revenues by $94 billion over 10 years.

On the business side, AFSCME opposes reducing the corporate tax rate from 35 percent to 20 percent, which reduces revenue by $1.329 trillion, and eliminating the
Alternative Minimum Tax on corporations, which is now set at 20 percent and applies almost exclusively to the wealthiest 1 percent, reducing revenue by $40 billion. AFSCME is also greatly concerned the plan’s approach to international tax reform would result in reduced tax rates on overseas profits significantly below U.S. profits, and thus encourage corporations to send U.S. jobs and profits out of America.

AFSCME is deeply troubled this plan repeals the more than 100-year-old federal itemized tax deduction for state and local government tax payments that individuals pay at the state and local government level for personal property tax, income tax, and/or sales tax. This repeal will make it more difficult for state and local governments to provide vital public services, which all Americans depend upon, such as public education, health care, affordable housing, and child care. We strongly support amendments to maintain the current itemized deduction that individuals use for their state and local taxes.

AFSCME strongly opposes this tax plan because it would be regressive, raise taxes on millions of middle-class families, and threaten services needed by tens of millions of children, senior citizens, and people with disabilities. We urge you to vote no and strongly oppose this tax plan.

Sincerely,

Scott Frey
Director of Federal Government Affairs

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