Committee on Domestic Justice and Human Development
3211 FOURTH STREET NE • WASHINGTON DC 20017-1194 • 202-541-3160
WEBSITE: WWW.USCCB.ORG/JPHD • FAX 202-541-3339

December 6, 2017

United States Senate
Washington, DC 20510

Dear Senator:

According to Congress' own nonpartisan analysis, the *Tax Cuts and Jobs Act* bills recently passed by the House and the Senate raise taxes on the poor and cut taxes on the rich, violating basic principles of justice. Congress has proposed a web of wide-ranging and complex changes to the tax code, yet is approaching the process at a pace that makes it difficult even for experts in the impacted areas to analyze effects. In a letter dated November 9, the USCCB applied moral principles to the House tax reform bill (H.R. 1). In a letter dated November 22, the USCCB applied the same principles to the Senate legislation. Given the passage of these tax bills and the conference process now underway, the USCCB urges you to insist on the following policies to ensure that a final tax bill is morally acceptable:

- **Standard Deduction** – Both the House and Senate bill double the Standard Deduction. This is a positive change that will help some families, including many facing economic challenges, avoid tax liability. **It should be retained.**

- **Raising Taxes on the Working Poor** – According to the nonpartisan Joint Committee on Taxation, the Senate and House bills eventually increase taxes on taxpayers in the lowest brackets, while at the same time maintaining tax cuts for higher earners, including the very wealthy. No tax reform proposal is acceptable that increases taxes for families struggling to meet their daily needs in order to finance cuts for millionaires and billionaires. **The final proposal must be amended to avoid this outcome.**

- **Personal Exemption** – The repeal of the Personal Exemption in the House and Senate bills is a major flaw. Even with the doubling of the standard deduction, many larger families with more than three children are left financially worse off. The tax code should not be changed to penalize those who have welcomed the gift of life. The proposed family flexibility credit is insufficient to overcome this. **The exemption should be restored, or the final bill amended in some way, to address this problem.**

- **Child Tax Credit** – Laudably, both pieces of legislation eliminate the "marriage penalty" for the Child Tax Credit, and increase the overall amount of the credit (the House to $1,600 and the Senate to $2,000). However, the House does not alter the portion of the credit that is refundable, while the Senate provides only a modest increase. Both include new and unacceptable requirements for taxpayers to provide social security numbers to claim the credit that will negatively impact immigrant families. **The Child Tax Credit should be increased as much as possible, and the refundability portion increased as well to assist lower income families. The final bill should strip out changes that will harm immigrants.**

- **Medical Expenses** – The House does away with the deduction for medical expenses, while the Senate would not. Rather, the Senate lowers the floor for the deduction, making it available to more people with significant medical expenses, but only until the end of 2019. **This provision should be retained and expanded.**

- **<u>Adoption Assistance</u> –** The current tax code incentivizes employers to assist workers in adopting a child through an adoption assistance exclusion, providing important resources for families. The House seeks to eliminate this incentive, while the Senate does not. **The exclusion should be retained.**

- **<u>Paid Family and Medical Leave</u> –** The Senate proposes additional tax incentives to employers to provide paid family and medical leave through 2019. **The final bill should include these incentives, but without a sunset.**

- **<u>Education</u>:**

    - *Educator Expenses* **–** The House and Senate legislation increase the above-the-line deduction for educator expenses from $250 to $500. **An increase in this area is a positive change.**

    - *529 Savings Plans* **–** Both chambers also extend the benefits of 529 plans to K-12 education. **This is very a positive change.** The House bill also extends the plan to the child in utero, and allows up to an additional $10,000 to be set aside for school expenses. **These provisions should be adopted in the final bill.**

    - *Section 127 Exclusion for Education Assistance* **–** Elimination of this exclusion would harm many K-12 schools, including Catholic schools, in hiring and retaining staff, as well as harm institutions that rely upon local businesses to assist lower-income students. **This exclusion should be retained.**

    - *Section 117 Qualified Tuition Reduction* **–** Catholic elementary and secondary schools employ over 150,000 staff, and the exclusion for qualified tuition reductions is vital in retaining them. The overall budgetary impact is minimal, and **the exclusion should be kept intact.**

- **<u>ACA Individual Insurance Mandate</u> –** The Senate would seek to eliminate the Affordable Care Act individual insurance mandate, while the House of Representatives would not. Changes to health care policy like this should come as part of a comprehensive approach that would protect against millions of additional people becoming uninsured, as well as fix problems pertaining to affordability, protection of unborn life, conscience protection, and access for immigrants. **The Senate language should not be adopted**.

- **<u>Charitable Giving</u>**: Doubling the standard deduction will bring tax relief to many people. However, for those who give to charity, it will make the charitable deduction increasingly a benefit only available to high income families, and produce up to a $13 billion drop in annual charitable giving to nonprofits that are relied upon to help those struggling on the margins. This will also significantly diminish the role of civil society in promoting the common good. **Congress should adopt an "above-the-line" charitable deduction that would incentivize and assist charitable giving at all income levels, and increase the amounts people can give**.

- **<u>Mortgage Credit Certificates</u> –** The House bill would do away with mortgage credit certificates for first time homebuyers who qualify because of their lower income status. **This repeal should not be enacted.**

- **<u>Elimination of Various Other Provisions that Help Struggling Families</u> –** The House legislation eliminates the Work Opportunity Tax Credit, the credit for those who retire on disability, and deductions for tuition and student loans, state and local income tax, employee business expenses, and moving expenses. The Senate proposes to repeal the deductions for union dues and expenses, clothing and uniforms, and work-related education. **These credits and deductions help working individuals and families toward greater economic security, and should be preserved.**

- **<u>Development of Affordable Housing and the Community</u>**: The final bill should **retain the Housing Credit and Housing Bonds** that go towards the development of low-income housing, **but additional**

measures are necessary so that these are not significantly devalued due to the lower corporate tax rate, or development of low-income housing will likely be stifled. **Further, the creation of "Opportunity Zones" for troubled communities should be included and expanded**.

- **<u>Estate Tax, Alternative Minimum Tax, and Cuts to Programs for those in Need</u>**: This tax plan, by design, will result in over a $1 trillion deficit over ten years (which is true when calculated according to dynamic scoring as well). Even with the potential benefits of economic growth—which cannot be guaranteed—from individual and corporate tax cuts, the poor should not be the ones to finance these changes. On November 14, 2017, the Congressional Budget Office wrote that a deficit increase of approximately $1.5 trillion over ten years would require spending cuts as early as 2018 if other legislation is not enacted. These cuts will almost certainly include deep reductions to programs that help those in need. The repeal of the AMT in the House bill, and its significant reduction in the Senate bill, coupled with the doubling of the estate tax limits in the Senate and the eventual elimination of the estate tax in the House, make up a large portion of this ten-year deficit and only go to higher income households. **The final bill should leave in place the current AMT and estate tax in order to ensure that the risks taken in tax reform fall on those who stand to benefit most, rather than on those who struggle on the margins of society.** Tax reform should not be used to create an unnecessary reason to underfund programs that will still be needed to help the poor.

Policy that is good for workers, families who welcome life, families who are struggling to reach (or stay in) the middle class, and the very poor, has by design been a part of our tax code for years. Any modifications to these important priorities of our nation should only be made with a clear understanding and concern for the people who may least be able to bear the negative consequences of new policy. For the sake of all people—but especially those persons we ought, in justice, to prioritize—Congress should advance a final tax reform bill only if it meets the key moral concerns outlined above.

Sincerely,

+ Frank J. Dewane

Most Rev. Frank J. Dewane
Bishop of Venice
Chairman, Committee on Domestic Justice
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United States House of Representatives
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