

FORUM LOOKS AT TAX REFORM AND INCOME INEQUALITY

by Bill Woods for StreetVibes

With the Republican controlled Congress attempting to push tax reform legislation into law before its Christmas recess, the Community Issues Forum at Christ Church Cathedral devoted its November 9th session to a review of the major elements now under review in both the House and Senate. Nancy Bertaux, Professor and Director Economics, Sustainability and Society, Xavier University, examined the tax reform proposals and related them to the growing income inequality in this country. Her analysis concluded that this legislation would merely further the gap between the wealthy and the rest of us.

Professor Bertaux began by providing some historical perspective. In the 1950s, a period characterized by economic growth, the graduated income tax was much higher for upper-income Americans. The income gap between the wealthy and average people was also much smaller than today. Economists began to notice a widening gap in the 1970s, and the Reagan tax cuts in the early 1980s really seemed to accentuate it. By the 1990s, scholars agreed it was an accepted long term trend.

When looking at the features of the Republican drafted legislation in the House and the Senate, the large corporate tax cut and the elimination of the inheritance tax loom as major wins for those with economic power and wealth. Corporations would receive a fifteen percent cut. Since current federal taxation only kicks in with inheritances

exceeding \$2-million, only the very wealthy would benefit from this elimination.

Proponents of this reform proclaim that a large corporate tax cut is critical to their plan. It will create millions of new jobs with living wages, and thus greatly benefit struggling workers. Professor Bertaux challenged this assumption saying that most economists fail to see a correlation between cutting taxes for companies and job growth. In our consumer society, average families and individuals buying things are greater drivers for creating jobs.

President Trump and GOP-legislators herald the tax reform proposal as a plan to benefit the middle-class, but Professor Bertaux doesn't find much evidence of major and permanent relief for average Americans. The tax percentages for middle income folks may be lowered a bit, but often helpful deductions such as state and local taxes are currently slated to be eliminated. One calculation using information from the House proposal shows people with incomes of \$100,000 or less actually paying more taxes. Bertaux also pointed to one proposed change that will further the burden of young adults with huge college loan debts. They will no longer be able to deduct the interest from the payments on their loans.

The tax proposal to date will increase the deficit by \$1.5-trillion. This loss of revenue will increase the pressure to cut programs and services, and the Trump Administration budget for 2018 would decimate the safety net for the poor and those in need. This budget includes cuts in Medicare, Food Stamps, affordable housing programs, and income assistance to poor families with children. Needless to say, such cuts as an

indirect result of the tax legislation would be devastating to low-income families and individuals.

Professor Bertaux spent part of the Forum discussion period talking with attendees about religious teachings and how they fit or don't fit in the process of creating a fair tax reform plan. The general conclusion was that our society and especially our corporate and political leaders have gotten too far away from the concept that those with means should naturally pay a larger share in helping to insure the common good.