

# Where Have We Been & Where Are We Going: Race and TCJA

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# Racial Context of Tax Cuts and Jobs Act

- With the passage of TCJA Congress not only chose to grow the economic gap between rich and everyone else, but also between White households and households of color.
- Of the \$275 billion in tax cuts the TCJA provides to individuals after the first year, \$218 billion basically 80% of benefits went to White households.

# Racial Context of Tax Cuts and Jobs Act

- Because America's wealthiest families are overwhelmingly White it is inevitable that a tax cut geared to the very top would shower outsized benefits on White households relative to the overall population and households of color.
- Expiring individual provisions, like lowered top tax rates, benefited white households more, because people of color, due to economic and racial discrimination are in lower-paying jobs in lower tax brackets.
- TCJA changed CTC, but there three key problems: 1) didn't expanded eligibility for poorest households; 2) made ITIN filers ineligible; 3) didn't provide full refundability

# Racial Context of Tax Cuts and Jobs Act

- Corporate tax rate was cut from 35 percent to 21 percent. VP Harris wants to bring it back up to 28 and former President Trump wants to cut it down to 20 percent.
- Our research showed that corporate tax cuts expand the racial wealth gap, because corporate stocks are a major contributor to white wealth:
  - 88 percent of corporate tax breaks go to white households (67 percent of US population)
  - Black and Hispanic households each benefit from 1 percent each of corporate tax breaks. (12 percent and 9 percent of US population, respectively)

# Short Term Consequences

- Higher deficits will likely increase pressure on lawmakers to cut funding for important programs and services that help reduce barriers to opportunity for so many low- and moderate-income households of color in areas like health, financial security, and education.
- Harris's proposals would, on average, lead to a tax cut for all income groups except the richest 1 percent of Americans
- Trump's proposals would, on average, lead to a tax increase for all income groups except the richest 5 percent of Americans.

# Long Term Consequences

- The debate over tax reform and the outcome of what legislator pass could exacerbate already tense economic insecurities so many households face today if they pass reforms that favor wealthy households that are disproportionately white.
- Or, Congress could enact policies that are more targeted at addressing long-term wealth and income disparities without sacrificing vital revenue, so further economic hardships for households of color will dissipate.

# Conclusion

- Examining the tax law in the context of how the nation's public policies not only perpetuate widening income and wealth inequality, but how they also preserve historical and current racial injustices that continue to allow white communities to build wealth, reveals how important it is to conduct rigorous analysis and make your voice heard in the tax reform debate to ensure that a fair level of economic opportunity is given to communities of color to shrink the racial wealth gap.

# Resources

- [How Would the Harris and Trump Tax Plans Affect Different Income Groups?](#) (ITEP)
- [Corporate Tax Breaks Contribute to Income and Racial Inequality and Shift Resources to Foreign Investors](#) (ITEP and Liberation in a Generation)
- [ITEP's Homepage](#)
- [ITEP's Racial Equity Research Hub](#)
- ITEP's [Federal](#) and [State](#) Tax Policy Homepages



