

POORLY TARGETED TAX CUTS NOT A RESPONSE TO COVID-19 EMERGENCY

Letter from 13 National Organizations & Counting

March 11, 2020

Dear Member of Congress:

We write to urge an aggressive response to the economic and societal impact of the novel coronavirus outbreak, but caution against allowing this national emergency to be used to demand tax cuts that will be poorly targeted, lack the biggest bang-for-the-buck and favor those families that have the most resources to weather the crisis.

Instead, legislation should focus on the needs of those most deeply and immediately affected by the virus and its attendant disruptions to daily life. That begins with the families who have lost loved ones or have members who have been diagnosed with Covid-19, and includes healthcare workers and child care workers, workers in industries vulnerable to a corona-related slowdown, workers without paid sick leave and low-income students who would suffer particularly from school closings and lack of access to school meals. [Corporate tax cuts](#) and other tax-law changes (such as indexing capital gains) that primarily benefit the wealthy, who are most insulated from the crisis, should be avoided.

Such undesirable tax strategies also include payroll tax cuts. They would provide little immediate stimulus to the economy because they would be relatively inefficient and paid out in small increments over time. Moreover, payroll tax cuts provide the largest weekly payout to those who least need them and are least likely to spend them. For example, the [Penn Wharton Budget Model](#) estimated that a 2-percentage point payroll tax cut over an entire year would give an average of just \$50 to those in the bottom 20% of the population and an average \$410 to those in the next 20%. The richest 10% would each save an average of about \$3,000. Workers laid off and those unable to find employment due to the Covid-19 emergency would of course get nothing at all.

Several economists have recently proposed ways for the federal government to make cash payments to households, which is likely to be more effective than tax cuts. This would ease the strain on family finances from coronavirus-related layoffs and cutbacks while cushioning the economy against a collapse of consumer demand. Former chair of the president's Council of Economic Advisers [Jason Furman](#) proposes immediate payments of \$1,000 to every adult citizen and permanent resident and \$500 for every child of such adults. Economist [Josh Bivens](#) of the Economic Policy Institute advises that targeting the payments at low- and middle-income families would be most efficient. Former Federal Reserve economist [Claudia Sahm](#) would begin

with payments to those medically affected by the virus, then expand the program from there as the economy worsens and targets of needed assistance are identified.

All three economists also urge greater federal investment in safety net programs. Furman would enhance FMAP—the federal share of Medicaid spending to relieve the pressure on states to raise taxes and reduce spending to meet balanced budget requirements. Bivens also suggests expanding federal spending on Medicare to better treat the disease and relieve the financial strain on families and local governments of greater healthcare costs. They along with Sahm would pump up spending on other backstop programs like unemployment insurance and nutritional assistance.

In addition, state and local governments on the front lines of the crisis could also benefit from a federal commitment to cover all related costs of the public health emergency, such as increased healthcare spending, public education campaigns, additional funds to administer Unemployment Insurance benefits, and economic support of businesses and citizens.

All of these measures have a much greater bang-for-the-buck than do corporate or individual income tax cuts, as analyzed by the [Congressional Budget Office](#), [Moody's Analytics](#), and other independent analysts.

There are other areas of concern. What will happen to children who depend on schools for one or even two meals a day if school systems are shut down; how will we support child care providers and caregivers; and how do we keep healthcare workers on the job, both for their vital role addressing the crisis and for the economic security of their families? Other short and long-term reforms that will better prepare us for the next health emergency include guaranteed paid sick leave to slow the spread of infection; universal health care so that the sick can afford to seek treatment before they get sicker; and greater investment in public health agencies to more quickly find vaccines and cures. Notably, Sen. Patty Murray and Rep. Rosa DeLauro just introduced [legislation](#) that would guarantee all workers seven days of sick leave a year, plus 14 more in medical emergencies such as this one.

None of these aims will be furthered by reducing revenue received from corporate or capital gains taxes or cutting any other taxes that mostly impact the wealthy. In fact, just the opposite is true. We hope you will keep that in mind while formulating a response to this growing crisis.

Sincerely,

List in formation

AFL-CIO
American Federation of State, County and Municipal Employees
American Federation of Teachers
Americans for Tax Fairness
Center for American Progress

Coalition on Human Needs

Economic Policy Institute

Health Care for America Now

Institute on Taxation and Economic Policy

National Education Association

National Women's Law Center

NETWORK, Advocates for Justice, Inspired by Catholic Sisters

Public Citizen