On taxes, focus on the big picture

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As Supreme Court Justice Oliver Wendell Holmes once observed, "Taxes are what we pay for civilized society." Nonetheless, nobody likes to pay taxes and most Americans believe the tax system could be fairer. In fact, an October poll by Reuters found that 76 percent of U.S. citizens, including a majority in both parties, believe that corporations and the wealthy should pay more in federal taxes, not less. So how can the tax "reform" bill unveiled by congressional leaders in early November be explained?

The first draft of the bill would add $1.5 trillion to the national debt by cutting corporate taxes by $1 trillion over the next 10 years; reducing individual taxes by just $200 billion over the same period, with more than half of the cuts going to the small number of households earning more than $200,000 annually; and eliminating the federal inheritance tax for the 5,500 wealthiest American families at a cost of $172 billion over 10 years. Does that sound like a fairer system?

It may seem so, if you listen to the tax bill's advocates. They say that the measure would double the standard deduction (to $12,000 for single taxpayers and $24,000 for married couples) and claim that the middle class would benefit from the bill through lower taxes and higher wages. But the bill also aims to eliminate personal exemptions for you, your spouse and your children, while capping or eliminating many common deductions, such as the deduction for state and local taxes or for interest on student loan debt.

As it stands as I write this, the House bill seems to be pretty much a wash for letter carriers. In fact, the effective tax rate for top-step letter carriers would fall from 10.9 percent to 10 percent in 2019, according to Congress's Joint Committee on Taxation (JCT). But the JCT also concluded that the bill would likely *raise* taxes over time for between one-third and one-half of middle-class taxpayers, since it would adopt a less generous index for the purpose of adjusting tax brackets for inflation and phase out child tax credits. Of course, we can't know for sure—the devil is in the details, so we will have to monitor the debate in the weeks ahead.

But we should not just focus on our personal bottom lines. We should keep in mind the big picture and ask ourselves: How would such tax cuts, which would raise the annual federal deficit from about $660 billion to $810 billion annually, affect us in the future? Such cuts would not magically pay for themselves through stronger economic growth—history has shown that that never happens. And every time the deficit rises dramatically, attacks on federal employees, their benefits and their agencies soon follow. It happened in the 1980s and 1990s and it happened again after the Great Recession of 2008-2009.

Saving a few bucks on taxes won't be so great if it's followed by cuts in our pensions and health insurance benefits or by proposals to eliminate tens of thousands of full- and part-time letter carrier jobs by ending Saturday mail delivery and door delivery. Such a threat is not theoretical; the same budget resolution adopted by the House of Representatives earlier this year that calls for these tax cuts also attacked our benefits and the Postal Service's networks.

Another thing to consider is the historical record. We have never seen corporate tax cuts translate into higher wages. Our economy is already at full employment, business profits are at historic levels and corporations are sitting on mountains of cash right now. Adding to that pile of money won't magically convince corporations to create more jobs or raise employees' pay. Instead, as they have done in the past, corporations likely would use the savings from tax cuts to raise dividends for their shareholders and to buy back company stock to raise share prices—which leads to bigger bonuses for the executives. Since the wealthy own most of the shares in the stock market, they would benefit from both lower taxes and greater investment income. Inequality would grow and wages would remain stagnant.

To raise wages, American workers don't need tax cuts. They need unions like ours that help boost pre-tax wages. They (and we) also need a whole set of pro-worker policies—such as higher minimum wages, stronger protections for union organizing and overtime work, and a commitment to create good jobs by rebuilding our nation's infrastructure, perhaps most importantly in the areas of the country that have been devastated by this year's hurricanes.

As we went to print on this issue of *The Postal Record,* the House had a vote scheduled on the tax reform legislation and it was expected to pass. The legislative process will continue in the Senate, so we must be ready to act. Use the NALC Member App to follow news to learn more about tax reform. If the tax bill isn't improved, we will ask you to call, write or visit your representatives and senators in their local offices and to make our voices heard. Our jobs and benefits may depend on it.