Commentary on a New York Times' article

by Phillip W. Weiss

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It Started as a Tax Cut. Now It Could Change American Life.

By PETER S. GOODMAN and PATRICIA COHEN, NOV. 29, 2017

According to this article, the Senate tax bill is becoming a Republican wish-list for conservative groups who are padding the bill with provisions meant to promote their respective agendas, and that the tax reforms themselves will not improve the economy.

This article is so biased that it loses its value as a source of information. Its bias is revealed in this passage: "In a recent University of Chicago survey of 38 prominent economists across the ideological spectrum, only one said the proposed tax cuts would yield substantial economic growth." These prominent economists are part of an academic elite which opposes Donald Trump. It is not likely that these economists would have anything good to say about the tax bill.

The article further asserts that "The meat of the package is a permanent lowering of the corporate tax rate, to 20 percent from 35 percent, which business leaders have long wanted. Proponents assert that this would prompt multinational companies to expand operations in the United States." In other words, the tax bill is nothing but a sham meant to benefit corporations.

What the article does not mention is that the bill will also significantly increase the standard deduction (Part III, Sec. 11021, pages 40 – 41), a measure that will provide tax relief for millions of taxpayers. The article also includes alarmist rhetoric. It warns that if the tax bill becomes law, other programs, including Social Security, will be placed at risk. According to the article, "Since the 1930s, when President Franklin D. Roosevelt created Social Security, unemployment benefits and other pillars of the safety net to combat the Great Depression, crises have been tempered by some measure of government support. Recent decades have brought cuts to social services, but the impact of the current bill could be especially consequential." This rhetoric belongs in the editorial section, not the news section.

Other features of the tax bill not reported:

The child credit is increased from $1,000 to $2,000 (page. 42, line 11).

An unborn child may be claimed as a beneficiary (page 54, line 12 – page 57, line 2).

Deductions for teachers' expenses is increased from $250 to $500 (page 67, lines 4 –12).

Nor does the article provide details on the proposed tax rates: (page 2, line 4 – page 4, line 1)

According to CNN Money, "In the Senate bill, the deduction for singles increases to $12,000 from $6,350 currently; and it raises it for married couples filing jointly to $24,000 from $12,700." Below are three hypothetical yet plausible examples of how this increase in the standard deduction may effect taxpayers.

Ex. 1: A married couple file a joint return. Under the current standard deduction their taxable income is $60,000. Their tax is $1,905 + 12 % of $40,050 = $6,711. Under the Senate bill standard deduction their taxable income is $48,700. Their tax is $1,905 + 12% of $29,650 = $5,463. Their tax is reduced by $1,248.

Ex. 2: An unmarried single woman files an individual return. Under the current standard deduction her taxable income is $74,000. Her tax is $11,339.50 + 24% of $4,000 = $12,299.50. Under the Senate bill standard deduction her taxable income is $68,350. Her tax is $4,453.50 + 22% of $29,650 = $10,976.50. Her tax is reduced by $1,253.

Ex. 3: An unmarried single male files an individual return. Under the current standard deduction his taxable income is $35,000. His tax is $952.50 + 12% of $25,465 = $4,009.50. Under the Senate bill standard deduction his taxable income is $29,350. His tax is $952.50 + 12% of $19,825 = $3,331.50. His tax is reduced by $678.

These four persons now have an additional $3,179 to spend. In 2016 over 152,544,000 tax returns were filed. Let's divide that number by 4. 152.544M/4 = 38,136,000. Multiply that number by $3,179 and that equals $121,234,344,000. That's a lot of additional buying power.

Of course, all this is hypothetical, but the numbers seem reasonable.

Now, will this massive tax reduction put Medicare, Social Security and Veterans benefits at risk? If, and this is a big IF, this massive influx of money produces real substantive economic growth, then the answer to that question is no. However, if economic growth remains sluggish, then other sources of funding will have to be found. It is highly doubtful that, short of a major calamity that threatens the extinction of the planet, the American public, and especially the American voter, will tolerate any reductions in public benefits that are not based on a means test.

Sources:

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