



TAX DAY 2023:

Congress Should Make the Rich and Corporations Pay Their Fair Share, Not Cut Critical Services

This Tax Day, Washington is gearing up for the latest edition of a familiar debate over federal spending and revenue. On the one side, President Biden and Democrats in Congress want the rich and corporations to pay a fairer share of taxes. On the other, Congressional Republicans want to preserve tax cuts for the wealthy and instead cut funding on services for working families. The stakes are high because Republicans are threatening to force the federal government into default if they don't get the spending cuts they want.

To be clear, Congress should immediately raise the debt ceiling as a duty completely separate from the debate over taxes and spending. Since 1960 [Congress has raised or extended the debt ceiling 78 times](#)—49 times under Republican presidents and 29 times under Democratic presidents—in order to pay off debts already incurred. It should do so again now. If Republicans refuse to raise the debt ceiling, they will risk delaying benefits for Rhode Island's [233,000](#) Medicare recipients, [231,000](#) Social Security recipients, and https://www.jec.senate.gov/public/_cache/files/1b13cb83-7a1d-4fd3-8cf0-bf45e1fbdf1/jec-report--the-costs-of-a-gop-default-crisis-final.pdf 58,000 veterans.

While Republicans plan to block proposals to raise the debt ceiling as a way to force cuts to programs like Medicaid, Medicare and Social Security, President Biden has already proposed an alternative plan that would not only protect earned benefits, but raise revenue for new investments and reduce debt all at the same time. The President's plan is funded by reining in price-gouging by large corporations and increasing taxes on the wealthy and corporations who for too long have failed to pay what they owe.

Opportunity in the United States is fueled by all of us working together and taking responsibility for contributing our fair share to build a society that works for everyone. One important way we meet our obligations to each other is by paying the taxes we owe so we can have Social Security and Medicare when we need them; to build the physical and information infrastructure that support a thriving economy; to ensure public safety and robust national defense; and to invest in health, education and services that millions of people depend on every day.

Taxing the Wealthy and Corporations Maximizes Opportunity for the Rest of Us

Over the decades, Americans have made tremendous strides in all these areas, but there's still more to do to address growing needs, secure the future and ensure that everyone is included in the nation's prosperity.

Increasing the amount that the wealthy and corporations pay in taxes will create a better and more just society than we have today. With sufficient tax revenue from the well-to-do and well-connected, we can create a society that provides healthcare to nearly [28 million who now lack insurance](#); helps millions of families struggling to afford quality child care and aging and disability care; provides paid family and medical leave to the [three-quarters of workers](#) who lack it; helps working families priced out of housing and students struggling to afford college; and creates a pathway to the middle class for [38 million people now living in poverty](#).

An economy in which everyone pays their fair share is a better alternative to our current two-tiered tax system in which the wealthy get ever richer and price-gouging corporations reap huge tax rewards as average Americans fall farther behind.

The Wealthy and Corporations Are Getting Much Richer

Today, too many rich people and profitable corporations fail to meet their obligations to pay the taxes they owe, let alone paying their fair share. For example:

- Every year, the top 1% [evades \\$160 billion in taxes](#).
- The top individual income-tax rate is about [half what it was 40 years ago](#).
- Some [billionaires pay no federal income taxes](#) and others pay a [lower tax rate](#) than [middle-class families](#) pay when the growing value of their investments is counted.

Forbes April 2023 [annual billionaires ranking](#) shows that American billionaires are still riding high on their post-pandemic wealth gains. Forbes found that 735 billionaires hold \$4.5 trillion of wealth. [See Table]

This represents a startling \$1.4 trillion (45%) jump in wealth during the first five years of the tax law enacted by President Trump and a Republican Congress in 2017—a law that mostly benefited the rich and corporations. The average billionaire enjoyed a wealth gain topping \$800 million over that five-year span. The nation's 735 billionaires now hold more wealth than the [bottom half of American](#) society, or [some 165 million people](#).

Name	Net Worth Feb. 9, 2018 (\$ Millions)	Net Worth Mar. 10, 2023 (\$ Millions)	5-Year Wealth Growth (\$ Millions)	5-Year Wealth Growth (Percent)
Number of Billionaires	588	736		
TOTAL	\$3,097,700	\$4,495,100	\$1,397,400	45.1%
Elon Musk	\$19,900	\$180,000	\$160,100	804.5%
Jeff Bezos	\$112,000	\$114,000	\$2,000	1.8%
Larry Ellison	\$58,500	\$107,000	\$48,500	82.9%
Warren Buffett	\$84,000	\$106,000	\$22,000	26.2%
Bill Gates	\$90,000	\$104,000	\$14,000	15.6%
Michael Bloomberg	\$50,000	\$94,500	\$44,500	89.0%
Steve Ballmer	\$38,400	\$80,700	\$42,300	110.2%
Larry Page	\$48,800	\$79,200	\$30,400	62.3%
Sergey Brin	\$47,500	\$76,000	\$28,500	60.0%
Mark Zuckerberg	\$71,000	\$64,400	(\$6,600)	-9.3%
Charles Koch	\$60,000	\$59,000	(\$1,000)	-1.7%
Julia/David Koch	\$60,000	\$59,000	(\$1,000)	-1.7%

Source: [Americans for Tax Fairness analysis of Forbes 2018 & 2023 Annual Billionaire Reports](#)

Despite billionaires' dizzying amount of wealth, loopholes in our tax code often allow them to pay little or no federal income tax. Using leaked [IRS data from ProPublica](#), ATF identified 26 billionaires that paid an [average effective rate of just 4.8%](#) from 2013 through 2018.

White House economists have determined the nation's 400 richest billionaires [paid a tax rate of only 8.2%](#) over a recent nine-year span when the increased value of their corporate stock was counted as income. The average federal income-tax rate for [all taxpayers was 13.6%](#) in 2020.

The Trump tax cuts worsened the wealth gap by providing the wealthiest households with tax cuts that dwarfed everyone else. In just a single year, the richest 1% received \$77.6 billions in tax cuts. Each high-income household received an average tax break of nearly \$50,000 per in 2020, whereas the bottom 60% of the population got a tax cut averaging only \$410, or just \$1.12 a day.

In Rhode Island, the richest 1% of households similarly benefited from the Trump tax cuts much more than the bottom 60% of households. In 2020, the richest 1% got an average tax cut of [\\$407](#) while the bottom 60% got an average tax cut of [\\$137](#).

But billionaires and millionaires aren't the only ones dodging taxes. The 2017 Trump tax law slashed corporate tax rates for many of the nation's largest corporations, including some that made record profits during the recent pandemic while continuing to pay almost nothing in taxes.

- Large profitable corporations have seen their effective [tax rate drop from 16% to 9%](#) since passage of the misguided Trump tax law, with a quarter of them paying no taxes at all over a recent five-year period.
- Even as corporate [profits soar to record highs](#), mega-corporations like AT&T, ExxonMobil, Amazon, Nike, and countless others [pay next to nothing in taxes](#) or even [receive tax refunds](#) from the government.
- Corporate tax revenue as a share of total federal revenue has dropped from one-third to [less than 10%](#) since the middle of the last century.

Many of the same corporations that price-gouge consumers on critical goods like prescription drugs reap huge rewards under the current tax system. The tax code subsidizes the pharmaceutical industry on expenses ranging from research on new medicines to the barrage of television ads that bombard TV viewers each day.

Drug corporations use monopoly power to set and keep prices high, enriching wealthy executives while putting medicines out of reach for millions who cannot afford them. A [2019 report showed](#) that the pharmaceutical industry was the most profitable industry in the S&P 500. In fact, drug firms could lose \$1 trillion in sales each year and still be the most profitable.

Between 2018 and 2022, the top 10 largest pharmaceutical corporations increased their after-tax profits by an average of 58% [see table]. Over this same period, drug corporations continued a long-held practice of increasing the price of many prescription medicines by rates that [exceeded inflation](#).

Top 10 Drug Corporations	Net After-Tax Profits (\$ billions)						
	Five-Year Total	% Increase 2018-2022	2022	2021	2020	2019	2018
Johnson & Johnson	\$83.9	17.3%	\$17.9	\$20.9	\$14.7	\$15.1	\$15.3
Pfizer	\$82.4	181.5%	\$31.4	\$22.4	\$6.6	\$10.8	\$11.1
Merck	\$47.4	133.4%	\$14.5	\$12.3	\$4.5	\$9.8	\$6.2
AbbVie	\$41.3	108.3%	\$11.8	\$11.5	\$4.6	\$7.8	\$5.7
Amgen	\$35.9	-21.9%	\$6.6	\$5.9	\$7.3	\$7.8	\$8.4
Eli Lilly	\$25.8	98.2%	\$6.2	\$5.6	\$6.2	\$4.6	\$3.2
Gilead Sciences	\$21.8	-15.8%	\$4.6	\$6.2	\$0.1	\$5.4	\$5.5
Biogen	\$18.9	-31.2%	\$3.0	\$1.6	\$4.0	\$5.9	\$4.4
CSL Behring	\$14.3	39.4%	\$3.1	\$3.2	\$3.1	\$2.7	\$2.2
Bristol-Myers Squibb	\$12.7	28.6%	\$6.3	\$7.0	(\$9.0)	\$3.4	\$4.9
TOTAL	\$384.6	57.7%	\$105.5	\$96.5	\$42.1	\$73.5	\$66.9

Source: Wall Street Journal: Annual Corporate Income Statement (links in the chart)

Drug corporation executives have been well-compensated for delivering these massive profits, even if inflated profits have often come at the expense of patients' health. Increased

compensation for executives has not translated into higher taxes on these individuals partially because of the 2017 Trump tax law that cut taxes for the wealthiest households and partially because of long-standing tax loopholes that enable the rich who increase their wealth through stocks and financial assets to avoid taxes on that income.

Congress Faces a Choice: Tax the Rich and Corporations or Cut Benefits for Working Families

Tax Day 2023 marks the beginning of a high-stakes historic battle in Washington, D.C., that pits the health and economic security of millions of Americans against protecting massive wealth and privilege for the wealthiest individuals and most profitable corporations.

More tax breaks for the wealthy should be the lowest priority of the current Congress given the huge challenges facing millions of constituents they represent. Although inflation has stabilized after reaching record highs over the past year, the current rate of inflation is still higher than it has been for 33 years. The cost of everything from houses to eggs continues to escalate at a pace that most working families cannot match, leaving many struggling to make ends meet. The end of various enhanced public services that comes with the expiration of the Public Health Emergency (PHE) later this spring will create even more burdens for those who can least afford them.

An estimated [18 million people could lose Medicaid coverage](#) as enrollment eligibility snaps back to pre-COVID levels. Some of these individuals will be able to get affordable coverage on the ACA exchanges. But for many people in the 10 states that refused to implement Medicaid expansion, there is no opportunity for accessible coverage unless Congress passes a workaround that would enable these people to purchase insurance from a federal exchange. Roughly up to [30,000](#) people in Rhode Island could lose their Medicaid coverage.

While states are grappling with reduced federal funding for Medicaid tied to the end of PHE and thousands of new uninsured residents, a group representing three-quarters of House Republicans issued a plan this year that would [cut federal funding of Medicaid by half](#), denying healthcare to tens of millions of low-income families and draining resources from other services in states trying to make up the shortfall.

Many of the same people who lose Medicaid [have already lost enhanced nutrition benefits](#) because of state emergency expiration. Families in 35 states lost an average of \$95 a month, even though the price of food has continued to rise with inflation. In Rhode Island, [85,000](#) households are seeing their SNAP (Supplemental Nutrition Assistance Program) benefits reduced by an average of [\\$168](#) each week. The U.S. Department of Agriculture(USDA) predicts that the price of all food will increase by [7.5% in 2023](#).

Although SNAP benefits are already shrinking, Republicans in Congress have put forth proposals to further [decrease access](#) to SNAP, putting 10 million people—or 1 in 4 current recipients—at

risk of losing nutrition support. Many Members of the GOP are also suggesting [deep cuts to Social Security and Medicare](#) in exchange for supporting an increase in the debt ceiling that would enable the United States to avoid defaulting on its debts.

The House GOP wants to [cut the federal budget by \\$130 billion](#) this year alone. If as usual the party shields defense spending from any cuts—or even [expands the Pentagon budget](#)—then healthcare and other related family services would need to be cut even more deeply to reach the \$130 billion total. Yet that \$130 billion cut alone could [devastate healthcare and related services](#) by:

- Denying 2 million vulnerable rural and other underserved households access to health care at Community Health Centers.
- Dropping 1.2 million women, infants and children from the WIC nutritional program.
- Preventing 1 million people in mental-health crisis from reaching suicide prevention lines.
- Depriving 1 million hungry seniors' Meals on Wheels and related nutritional services.
- Kicking 200,000 kids off Head Start and taking childcare away from 100,000 more.
- Blocking admission of tens of thousands of opioid victims to treatment centers.

Even as they're planning damaging cuts to healthcare and other programs, Republicans want to permanently extend the Trump tax cuts currently set to expire in 2025 and that mostly benefit the rich. If the Trump tax cuts are made permanent, in the first year alone households with incomes over \$4.5 million would get an [average tax cut of \\$175,000](#). Most families would get less than a dollar a day.

House Republicans have claimed they can [balance the budget in 10 years](#), or [even five years](#), while still preserving these huge tax cuts for the rich and corporations and elevated levels of defense spending. But nonpartisan budget experts have shown that's [impossible without catastrophic cuts](#) to Social Security, Medicare, Medicaid, the Affordable Care Act and every other service of the federal government.

Making the Trump tax cuts permanent would also [add \\$3 trillion to the national debt](#), according to the Tax Policy Center. Republicans would then use that increased debt as a further excuse to cut Social Security, Medicare, Medicaid and other life-saving public services.

These GOP efforts to boost the wealthy and well-connected at the expense of working families is not new. For 40 years budget debates in Washington have been dominated by Republican demands to slash spending on Social Security, Medicare, Medicaid, education, housing, nutrition programs, and much more—while at the same time cutting taxes on the rich and corporations.

Republicans who complain most about national debt are also often the ones pushing hardest to cut taxes on the wealthy and corporations. Yet a recent study shows that the [Republican tax cuts of the past 25 years](#) are the reason federal debt has gone up as a share of the economy.

The report from the Center for American Progress finds that those tax cuts enacted by Republican Congresses and Presidents George W. Bush and Donald Trump—which both disproportionately benefited the rich and profitable corporations—will have added \$10 trillion to the national debt by the end of this year.

These tax cuts alone are responsible for [57% of the increase in the debt ratio](#) (debt as a percent of the economy) since 2001 and more than 90% of the increase in the debt ratio if the extraordinary costs of combating COVID-19 ([\\$5.6 trillion](#)) and the Great Recession ([\\$787 billion](#)) are excluded.

The Republican Speaker of the U.S. House, his top two lieutenants and all but a handful of the entire GOP caucus [have signed a pledge](#) to never raise taxes, even on billionaires and even in times of national emergency like war, pandemics and natural disasters. Republicans do not even support requiring the rich to pay the relatively low taxes they already owe: their [first major legislative vote this year](#) was to shield wealthy tax cheats from enhanced IRS tax enforcement.

Biden Proposal Taxes the Wealthy, Lowers Costs and Reduces the Deficit

President Biden recently proposed a budget that shrinks the deficit while still making needed investments that lower the cost of healthcare, housing and food for millions of people. His plan would [raise nearly \\$5 trillion in revenue](#) by making the rich and corporations pay a fairer share of taxes and generate another \$1 trillion in savings by addressing waste and reining in corporate price-gouging. The Biden plan would invest nearly \$3 trillion to protect, expand and improve healthcare, childcare, education and housing, and provide up to 12 weeks of paid family and medical leave and an expanded Child Tax Credit to millions of families. It would also reduce the national debt by about \$3 trillion.

President Biden's \$2 trillion healthcare investment plan described in the first table below would make coverage more affordable for people with private insurance and make Medicaid accessible for people even in states where lawmakers have refused to expand the program to insure more low-income people. It will also guarantee that Medicare is fully funded for the next 25 years, instead of beginning to [run a shortfall in 2031](#). These critical investments are more than paid for by making the rich and corporations pay a fairer share of taxes, as detailed in the second table below.

PRESIDENT BIDEN'S MAJOR HEALTH & WELLNESS PROPOSALS	AMOUNT INVESTED 10 YEARS
Extend Medicare Solvency by 25 Years: Also reduce the cost of prescription drugs for seniors.	\$1.37 trillion
Close the Medicaid Coverage Gap: Extend coverage to the nearly 4 million people in ten Republican-governed states that refuse to expand Medicaid for their residents.	\$200 billion
Expand Affordable Care Act Subsidies: Reduce the cost of ACA healthcare plans by an average of \$800 per person per year for more than 9 million people.	\$183 billion
Strengthen Home and Community Based Care: Support families now paying an average \$5,800 per year in home care costs for seniors by expanding Medicaid coverage and paying care workers a fair wage.	\$150 billion
Enhance Behavioral Healthcare: Lower costs for mental health services and the behavioral health workforce so Americans can receive top quality care.	\$76 billion
Increase Funding for Food Security Programs: Expand the free school meals program to 9 million additional children and fully fund SNAP for 6.5 million Americans.	\$16 billion
TOTAL HEALTHCARE INVESTMENTS	\$2 Trillion

Sources: [President Biden's FY2024 Budget Request](#), March 2023;
 Medicare estimate from [PennWharton Budget Model](#), including transferring existing NIIT & SECA revenue to HI Trust Fund and reduction in expenditures from prescription drug negotiations.

PRESIDENT BIDEN'S MAJOR TAX REFORM PROPOSALS	AMOUNT RAISED/ 10 YEARS
Increase the corporate tax rate from 21% to 28%	\$1.32 trillion
Improve international taxation of multinational corporate profits by raising tax rates and closing offshore tax loopholes that encourage shifting of profits to tax havens and outsourcing of jobs	\$1.17 trillion
Close Medicare tax loopholes for wealthy business owners and increase the Net Investment Income Tax to 5% & additional Medicare payroll tax (SECA) to 1.2% on incomes above \$400,000	\$650 billion
Create a Billionaire Minimum Income Tax (BMIT) that requires people worth more than \$100 million to pay at least a 25% tax rate on wages and unearned income from stocks and other assets	\$437 billion
Increase the tax on corporate stock buybacks from 1% to 4%	\$238 billion
Increase top income tax rate from 37% to 39.6% on individual income over \$400,000	\$235 billion
Tax the investment income of the ultra-rich at the same rate as workers' wages by equalizing the top capital gains rate and ending stepped-up basis	\$214 billion
Close estate tax loopholes on Grantor Retained Annuity Trusts and property valuation discounts	\$77 billion
TOTAL REVENUE RAISED	\$4.3 Trillion

Source: [President Biden's FY2024 Budget Request](#), March 2023

Biden's current budget and tax proposals build on the Inflation Reduction Act he signed into law last year to reduce prescription drug prices, lower out-of-pocket costs in Medicare, and reduce health care premiums for people with Affordable Care Act coverage; all paid for with fairer taxes on corporations with over a billion dollars in profits and other tax reforms.

Already these policies are saving [29,000](#) Rhode Island residents hundreds of dollars annually on coverage. Nationally, [5 to 7 million](#) Medicare beneficiaries will save on prescription medicines. Overall, the Inflation Reduction Act raised \$467 billion by taxing the wealthy and corporations, reduced the deficit by \$238 billion and did not raise taxes on people making less than \$400,000 a year.

President Biden's newest tax-reform proposals would address long overdue inequities in the tax system that enable the wealthy to pay lower tax rates than middle-class workers and help tax-dodging corporations avoid paying their fair share. Raising revenue from the wealthiest generates the revenue our country needs to ensure everyone in our country has a meaningful opportunity to be healthy, take care of their families and benefit from a prosperous economy.