

Familiar divisions emerge as Ways and Means Committee explores disparate impacts of tax policy on communities of color

Democrats and Republicans on the House Ways and Means Committee found little to agree on during an April 6 hearing that explored how the benefits of federal policies under the committee's jurisdiction—including the nation's tax laws—may be felt differently by various racial groups.

Democrats tout ARP tax credit expansions, cite tax code inequities

Although much of the hearing focused on expanding health coverage, trade, Social Security, paid leave, the federal minimum wage, and other policies not directly related to the tax code, Democratic taxwriters used the forum on a handful of occasions to express their support for—and encourage the extension of—expansions of the child tax credit, earned income tax credit, and child and dependent care tax credit that were enacted on a temporary basis early last year in the American Rescue Plan of 2021 (ARP, P.L. 117-2). (For prior coverage of the ARP, see *Tax News & Views*, Vol. 22, No. 11, March 10, 2021.)

URL: https://dhub.blob.core.windows.net/dhub/Newsletters/Tax/2021/TNV/210310_1.html

Tax credit expansions: Those tax credit expansions—which included an increase in the maximum child tax credit and advanceable monthly payments for certain households, an increase in the earned income credit (EITC) for individuals without dependents, and full refundability of the child and dependent care credit—all expired at the end of 2021.

“There is no denying that the American economy does not work for everyone,” said Chairman Richard Neal, D-Mass., as part of his opening statement. “Enhancing the EITC and closing the Medicaid coverage gap are examples of policy decisions that can help change our nation's trajectory and improve outcomes for everyone.”

Rep. Jimmy Gomez, D-Calif., made a similar argument with respect to the ARP's temporary child credit enhancements.

“We've made a couple of simple changes to the child tax credit and, lo and behold, we had a reduction in child poverty in this country to 40 from 60 percent depending on the community you lived in,” Gomez said.

The near-term fate of these and other Democrat-favored tax policies is likely inextricably linked to the success or failure of Democrats' “Build Back Better” legislation (H.R. 5376), which passed the House of Representatives on last November, but which currently remains stalled in the upper chamber as Senate Democrats as Democrats endeavor to find a mix of spending and tax policies that can win the favor of all 50 members of their caucus. (A detailed summary of the tax provisions in the House-passed legislation is available from Deloitte Tax LLP.)

URL: <https://www2.deloitte.com/us/en/pages/tax/articles/build-back-better-tax-legislation.html?id=us:2em:3na:tnv:awa:tax:040822&sfid=7015Y000003WdDYQA0>

Structural inequities in the tax code: For her part, Democratic Rep. Terri Sewell of Alabama homed in on certain tax provisions whose benefits disproportionately flow to higher-income households—a dynamic that she argued perpetuates income and wealth inequities between white households and those of color.

“While the tax code never mentions the word ‘race,’ the policies that we have promulgated in this committee over the years have . . . increase[d] the wealth gap for communities of color,” Sewell said. “Black households are less likely than white households to receive tax-free gifts or inheritance, to own financial assets that generate tax-advantaged . . . capital gains, or to generate capital gains at the same rate as white households.”

Reps. Sewell and Gomez, along with fellow taxwriter Rep. Steven Horsford, D-Nev., lead a working group known as the Racial Equity Initiative that Chairman Neal announced last year. The working group’s primary charge is to make recommendations on “justice-forward legislation” for the committee. (For prior coverage, see *Tax News & Views*, Vol. 22, No. 12, Mar. 12, 2021.)

URL: https://dhub.blob.core.windows.net/dhub/Newsletters/Tax/2021/TNV/210312_3.html

Ways and Means Democrats also published a report last year entitled *Something Must Change: Inequities in US Policy and Society*, as well as a framework of policy pillars and priorities for legislation. In the economic equity area, the framework includes approaches such as eliminating barriers to work and job training caused by poverty and systemic racism, extending the work opportunity tax credit, and guaranteeing paid leave for all US workers.

URL:
https://waysandmeans.house.gov/sites/democrats.waysandmeans.house.gov/files/documents/WMD%20Health%20and%20Economic%20Equity%20Vision_REPORT.pdf

URL:
https://waysandmeans.house.gov/sites/democrats.waysandmeans.house.gov/files/documents/FINAL%20WMD%20Health%20and%20Economic%20Equity%20Vision%20Policy_FRAMEWORK.pdf

GOP talks up TCJA, hits Democrats over inflation levels

For their part, Republicans on the panel expressed a markedly different view of how the federal government should respond to economic disparities among races, with a number of GOP members touting the economic benefits of their Tax Cuts and Jobs Act of 2017 (TCJA, P.L. 115-97), including provisions allowing for the full and immediate expensing of certain capital investments, a 20 percent deduction on the qualified business income of certain passthrough businesses, and the Opportunity Zone program, which provides tax relief on capital gains rolled over into investments into designated geographic areas.

“[The TCJA] leapfrogged America to the best economy in the world, lifted six million Americans out of poverty, brought back jobs from overseas, and created hope and opportunity for workers and people of color who had been left behind in the old Obama-Biden tax code,” said ranking member Kevin Brady, R-Texas.

Brady also contended that the coronavirus relief and stimulus-focused American Rescue Plan—which Democrats moved through Congress last year under the filibuster-proof budget reconciliation process—has led to currently high levels of price inflation and thus has exacerbated economic inequities.

“Democrats in Congress rammed through a partisan \$2 trillion so-called ‘COVID stimulus’ that sent inflation skyrocketing to 40-year highs,” Brady said of the ARP. “As a result, price hikes at the pump, for food, supplies, housing, and transportation are crushing working families—especially people of color.”

Rep. Tom Rice, R-S.C., speaking later at the hearing, called inflation “a regressive tax” that “hits the poor the hardest.”

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