

To: Interested Parties
From: Lael Brainard
Re: The High-Stakes Tax Debate in 2025
Date: June 13, 2024

The stakes of the coming tax debate over the expiring Trump tax cuts are clear: While President Biden plans to pay for extending tax cuts for hardworking Americans by making sure the wealthiest and big corporations pay their fair share, the Congressional Republican plan would extend tax cuts for the ultra-wealthy and expand tax cuts for big corporations by making hardworking Americans pay—whether by taxing household purchases, severely cutting Social Security and other programs hardworking Americans count on, or ballooning our national debt.

Congressional Republicans [are clear](#) that their top priority for the first 100 days of 2025 is to secure a tax cut skewed to the ultra-wealthy while making hardworking Americans pay the price—and [new reporting](#) this week suggests they want to expand even [further](#) on the Trump corporate tax giveaways.

Congressional Republicans should be transparent about how they want working families to pick up the \$5 trillion tab for their tax cuts skewed to the ultra-wealthy and their additional corporate tax cuts. Their record shows they will cover the cost through some combination of taxing everyday household purchases, making deep cuts to Social Security and other programs millions of Americans count on, or ballooning the deficit, as they did in 2017 when they had unified control of government. One way or another, the American people will pay the price.

President Biden’s Approach Puts American Workers and Families First

The President’s approach to the 2025 tax debate will be guided by his core belief that our tax system should help hardworking Americans and the middle-class, not the ultra-wealthy. The tax debate should advance [five key principles](#):

1. **Reward work, not wealth.** The President has pledged that the over 95% of American households that earn less than \$400,000 will not pay more in taxes. He has also proposed tax cuts to help millions invest in their children, make work pay, and secure health insurance.
2. **Raise revenue to honor the President’s commitment to seniors and fiscal responsibility.** That means we cannot give the wealthiest Americans another tax cut, so we must let the Trump tax cuts expire for those making more than \$400,000.
3. **Raise revenue by asking corporations that are making record profits to pay their fair share.** It doesn’t make sense that the corporate tax share is low at a time when corporate profits are at record highs. Given that we ask far less of corporations than other large countries, and the investment response to the Trump corporate tax cut was lackluster, it appears corporations can afford to pay their fair share without hindering economic growth.
4. **Ensure wealthy taxpayers pay what they owe and play by the same rules.** It is important to maintain President Biden’s investment in the IRS so that it can effectively address tax evasion by the wealthy and large businesses, while providing a better tax filing experience.
5. **Avoid an international race to the bottom on tax.** Implementing the President’s global minimum tax would level the playing field for small businesses and stop other countries from luring jobs away from the United States with rock-bottom tax rates.

Congressional Republicans' Tax Cuts Skewed to the Ultra-Wealthy Cost Nearly \$5 Trillion

While President Biden is fighting for a tax code that works for the middle class, Congressional Republicans are doubling down on their same tried-and-failed trickle-down approach of cutting taxes for the ultra-wealthy. The 2017 Trump tax cuts [added](#) \$1.9 trillion to the debt, and delivered tax cuts to those in the top 1% [worth](#) 50 times more than for middle-income households. Now, Congressional Republicans have made [clear](#) that making the tax cuts skewed to the rich permanent is at the top of their 2025 agenda. If they once again decline to pay for extending the tax cuts, their policies would explode the deficit. As detailed below, **fully extending the Trump tax cuts and related provisions would add nearly \$5 trillion to the deficit, according to our analysis of Congressional Budget Office [projections](#):**

GOP tax plan would cost almost \$5 trillion	
	2025-2034 (\$b)
Individual tax cuts skewed to the wealthy	3,260
Tax cuts for the ultra-rich top 0.1% of estates	170
Preserve lower tax rates for profit-shifting multinational corporations	140
Additional tax cuts for big businesses	660
Interest costs	650
Total cost of Republican plan	4,900
Source: NEC analysis, Congressional Budget Office estimates	

And the Cost of the Republican Tax Plan Could be Even Higher

Many Congressional [Republicans](#) want to go even further in providing tax breaks to large corporations and the ultra-wealthy.

- **Reduce corporate taxes more, even though the corporate tax share is already low.** The \$5 trillion tax cut price tag excludes the ongoing revenue loss from the massive, permanent corporate Trump tax cut. And we learned this week that Congressional Republicans [want to go even further](#) and cut the corporate tax rate more, on top of their proposal to repeal President Biden's minimum tax on billion-dollar corporations. Recent [analysis](#) shows that change coupled with a 15% corporate tax rate would provide a nearly \$50 billion annual tax cut to the 100 largest companies in America alone. And it would bring corporate tax revenues as a share of the economy even further below other countries. Republicans are pursuing these additional corporate tax cuts despite [evidence](#) suggesting their last corporate rate cut failed to deliver the jobs and investment that were promised.
- **Undermine investments in making sure the wealthy pay what they owe.** Today, House Republicans are advancing an appropriations bill that slashes the IRS budget and have said they want to claw back "[as much as \[they\] can](#)" from President Biden's IRS investment—which would make it easier for the wealthy and big corporations to avoid paying the taxes they owe. The IRS should have the resources it needs to [address](#) tax evasion by the wealthy, complex partnerships, and large corporations—and to [provide](#) better customer service and expanded services, like its free new [Direct File](#) tool.

The American People Would Pay for These Expensive Republican Tax Cuts

President Biden has [detailed](#) how he will pay for his plan to lower costs for working families; now, Congressional Republicans should show how they would pay for their tax cuts skewed to the

wealthy. Every major Republican fiscal policy in recent decades has put the economic burden of their tax cuts for the wealthy and corporations on low- and middle-income Americans – and this time will be no different. Here are four ways Congressional Republicans might finance their costly tax cut agenda based on their recent efforts:

- 1. Impose a tax on American consumer purchases.** House Republicans are [considering](#) a 10% across-the-board tariff on all imports, which would raise the price of groceries, cars, electronics, and clothes and cost the typical American household \$1,500 per year, according to one [analysis](#). According to [another](#), the combination of extending the Trump tax cuts and imposing a new 10% tariff amounts to a tax *increase* on average for households in the bottom 80% – while the top 1% would still come out way ahead. And that same analysis found it would only pay for roughly half to two thirds of the cost of extending the Trump tax cuts.
- 2. Cut Social Security, Medicare, Medicaid, and the ACA.** The Republican Study Committee (RSC) [Budget](#)—which represents 80% of House Republicans and 100% of their leadership—called for over \$1.5 trillion in cuts to Social Security, including increasing the retirement age to 69 and cutting disability benefits. That’s not nearly enough to pay for their tax cuts, so their plan would also [cut](#) Medicaid, the Affordable Care Act, and the Children’s Health Insurance Program by \$4.5 trillion over ten years, taking coverage away from millions of people, eroding care for seniors, children, and people with disabilities, and taking us back to the days where people could be denied care for pre-existing conditions and charged more for being a woman.
- 3. Slash important programs for veterans, children, and seniors.** If Republicans fully offset extending the Trump tax cuts by slashing the non-defense discretionary part of the budget – as they often suggest they can – they would need to cut funding for programs Americans count on by at least 50 percent. The RSC Budget proposed a 31% across-the-board cut to non-defense discretionary funding, which would eliminate hundreds of thousands of child care slots, end employment training services for 900,000 [workers](#), more than double wait times for people calling with [questions](#) about Medicare, and raise housing costs for hundreds of thousands of families—and a deeper cut would be more devastating.
- 4. [Increase](#) the debt by \$5 trillion.** Last time around in 2017, when they controlled the White House and both chambers of Congress, Republicans simply [added](#) \$1.9 trillion to the national debt rather than paying for their massive tax cuts skewed to the rich and big corporations. We know that Republicans will then try to put the burden of this higher debt on the American public to pay for those tax cuts for years into the future.