

# Blame Deficit On Disastrous Tax Law, Not Social Safety Net

By **Frank Knapp**

President Donald Trump recently said in a CNBC interview[1] that, if reelected, he would look at reducing the national debt by cutting Medicare and other safety net programs.

The national debt is certainly a concern. The Congressional Budget Office[2] projects that the national deficit will be over \$1 trillion a year for the next 11 years, raising the national debt from 81% of the nation's gross domestic product to 98%.

However, instead of addressing the recent legislative causes of this ballooning federal deficit and debt, Trump apparently is putting the blame and solution on the most vulnerable in our country — seniors and those with low incomes. But economists are clear about one major contributor to this financial disaster — the 2017 Republican tax law signed by the president.[3]



Frank Knapp

The tax law gave away the farm to large corporations — a whopping 40% permanent rate cut — and drove Wall Street to new heights because the tax savings went to stock buybacks instead of wages and expansion. As a result, instead of a sustainable growing economy, it is weakening.[4]

These tax cuts also aren't paying for themselves as was promised. Instead, they will contribute to increasing the national debt by \$4.7 trillion by the end of this decade, according to the Committee for a Responsible Federal Budget.[5] Corporate tax revenue,[6] which used to represent 4% of the annual federal budget, has plunged by \$100 billion and now contributes only about 1%.

The 2017 tax law also added loopholes that are enabling corporations to reduce their taxes even more than the 21% maximum set under the GOP reform. About 400 of Fortune 500 companies paid an effective tax rate of only 11.3% in 2018 and 91 paid no federal taxes, according to the Institute on Taxation and Economic Policy.[7]

One of the biggest disappointments is how the 2017 law has panned out for our Main Street small businesses. It promised tax savings to pass-through businesses, which comprise the vast majority of small businesses. And consumer demand for small business goods and services was supposed to dramatically increase from the promised \$4,000 boost in income for the average family.

With their temporary tax deduction and increase in consumer demand from the tax law, small business owners were supposed to be able to pay higher wages, hire new employees and invest in their businesses.

None of that became a reality.

According to a poll we commissioned,[8] 72% of small business owners say the tax law had either no impact on their business' growth or profitability, or had a negative impact. Only 19% said that there was a positive impact. Wall Street and corporations might have reveled in the 2017 tax law, but the monthly ADP National Employment Reports[9] show that small businesses with fewer than 20 employees shed 93,000 jobs in 2019.

Now, because of the fast-rising national debt brought on largely by the give away to corporations, Trump is considering cutting social safety net programs like Social Security, Medicare and Medicaid — something he promised never to do while campaigning four years ago.

The result of such an action would not only harm our most vulnerable but would be an attack on small businesses that were ignored by the 2017 tax law.

In 2020, Social Security, Medicare and Medicaid are expected to pump over \$2 trillion into our economy to benefit millions of people directly, and benefit 30 million small businesses mostly indirectly.

Cuts to Social Security will reduce monthly income to seniors who will then have less disposable income to spend with local small businesses. Increased out-of-pocket costs for senior healthcare will also reverberate throughout local economies and result in decreased spending with small businesses.

The same results would come from cuts to Medicaid. In addition, small businesses that cannot afford to offer health insurance and employ low income workers would have less healthy workers. This could, in turn, lead to decreased productivity and higher staff turnover.

Instead of blaming seniors and low income citizens for our skyrocketing national debt, Trump and the GOP should admit the failure of the 2017 tax law.

The real answer to the national debt crisis is not to threaten the lives of seniors and those with low incomes, but to repeal the disastrous tax law and use part of the recovered revenues for tax reform that helps small businesses grow and thrive along with their communities.

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[1] <http://cts.vresp.com/c/?SCSmallBusinessChamb/227b50a3b8/TEST/c3ed9b7e7e>.

[2] <https://www.wsj.com/articles/u-s-national-debt-will-rise-to-98-of-gdp-by-2030-cbo-projects-11580238089>.

[3] Tax Cuts and Jobs Act.

[4] <https://www.nytimes.com/2020/01/30/business/economy/gdp-numbers.html?smid=nytcore-ios-share>.

[5] <https://thehill.com/policy/finance/477554-trump-legislation-added-47-trillion-to-debt-watchdog>.

[6] <https://itep.org/fortune-500-companies-avoided-73-9-billion-in-tax-under-first-year-of-trump-tax-law/>.

[7] <https://itep.org/fortune-500-companies-avoided-73-9-billion-in-tax-under-first-year-of-trump-tax-law/>.

[8] [https://docs.wixstatic.com/ugd/4a8609\\_308eb721aee24edea3e93b43081e5303.pdf](https://docs.wixstatic.com/ugd/4a8609_308eb721aee24edea3e93b43081e5303.pdf).

[9] <https://www.adpemploymentreport.com/>.