NATIONAL EDUCATION ASSOCIATION
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Great Public Schools for Every Student

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Dear Representative:

On behalf of the three million members of the National Education Association (NEA), and the 50 million students they serve, **we urge you to Vote No** on the *Tax Cuts and Jobs Act* (H.R. 1), a rewrite of the U.S. tax code being voted on this week. This multi-trillion dollar plan is a tax giveaway to the wealthiest and corporations paid for on the backs of working families and students, and jeopardizes the ability of states and local communities to adequately fund public schools. Votes associated with this issue may be included in NEA's Legislative Report Card for the 115th Congress.

Tax plans reveal the priorities of a nation and in a number of respects this one tells working and middle-class families, students, and educators that they must sacrifice in order to further enrich the wealthy and corporations. We oppose the bill as currently crafted for several reasons outlined below.

A Giveaway to the Wealthy and Corporations sets up Drastic Cuts to Medicaid, Medicare, and Education

Analysis of the Joint Committee on Taxation's estimate of H.R. 1's impact shows that the bill is overwhelmingly skewed to the wealthy. Households with annual incomes over $1 million would receive 16 times the percentage increase in after-tax income as other taxpayers. In addition, 45 percent of the cost of the bill's tax cuts would go to households with incomes above $500,000 – less than one percent of filers. Meanwhile, JCT estimates show that taxes would actually *increase* for filers with incomes between $20,000 and $40,000 over the life of the bill.

For now, much of the tax cuts will be deficit-financed, but the budget resolution that helped pave the way for this plan previews the next phase: future legislation to cut the growing deficit caused by tax cuts by demanding cuts to critical services that help working people, children, seniors, and others – Medicaid, Medicare, education, and more. In fact, some of this impact will be immediate. According to the Congressional Budget Office (CBO), without enacting subsequent legislation, the tax bill will trigger automatic spending cuts to pay for the tax changes under a "paygo" law. The CBO analysis concludes that Medicare would face an FY18 reduction of $25 billion with a remaining $111 billion to be sequestered from remaining mandatory programs.

Kansas provides a window into what this approach looks like. In 2012, the state's former governor pushed through similar massive tax cuts to individuals and businesses that allegedly would boost the economy. In reality, Kansas' job growth was anemic and the governor and legislature starved state services. Kansas cut funding for public schools, infrastructure, and other services, and scrambled to close a $350-million budget deficit. After voters spoke at the ballot box, lawmakers reversed course, raising taxes and overriding – in a bipartisan manner – the governor's veto. Rather than rushing forward with a partisan bill, Congress would do well to heed the recent lesson from America's heartland.

Eliminating SALT Deduction is a Tax Increase and Will Devastate Education Funding
H.R. 1 would eliminate most of the state and local tax deduction (SALT) —taking money out of the pockets of as many 44 million middle-class families across the nation. While the bill hammers middle-class families on this, it oddly preserves the ability of businesses to deduct state and local taxes – yet another example of how the bill takes from working families to provide tax giveaways to those who are wealthier.

Eliminating any part of the state and local tax deduction could lead to a tax increase on middle class families and have a negative, ripple effect on the ability of states and local communities to fund public services, like education. That could translate into cuts to public schools, lost jobs to educators, and overcrowded classrooms that deprive students of one-on-one attention.

NEA conducted a detailed analysis of the plan to eliminate most of SALT. **In total, education funding could take a $250 billion cut over the next 10 years and put up to 250,000 education jobs at risk.** It is no secret what is likely to follow if Congress eliminates SALT. If there is any doubt, one need only to listen to what far-right groups like ALEC are saying right now. Their letter about the SALT deduction lays out their plan—to lobby for lower taxes at the state and local level. This means even fewer available funds for students and public education.

Turning Popular 529 College Savings Plan into a Voucher-like scheme for the Wealthy
The tax plan distorts a popular education tax program for middle-class families by creating a voucher scheme with no income limits that is aimed at benefitting the wealthy to set aside up to $10,000 annually in a tax-free account for private school expenses. Both the Heritage Foundation and Education Secretary Betsy DeVos agree, noting to the *Washington Post* that the backdoor voucher plan is "… a good step forward…" in allowing public dollars to follow children to private school. Make no mistake. This poorly veiled voucher program will only benefit the wealthiest families who can already afford private school tuition at the expense of our students, communities, and taxpayers. In the end, no matter what form or name a voucher program takes, the impact is the same. This risky voucher program will hurt students and neighborhood schools— where 90 percent of children attend.

Elimination of the modest Educator Tax Deduction
While offering huge giveaways for wealthy individuals and corporations, the plan inexplicably eliminates the popular educator tax deduction that allows educators to deduct eligible unreimbursed out-of-pocket classroom spending – books, paper, pencils, and art supplies purchased to supplement meager school budgets - up to $250 annually. The popular plan made "permanent" by Congress just two years ago, was claimed on 3.7 million tax returns in 2015. Almost every educator pays out of pocket for school supplies. The most recent study by the National School Supplies and Equipment Association (NSSEA) estimated that public school educators spent *$1.6 billion* of their own money during the 2012-2013 school year on classroom supplies. An estimated 99 percent of public school teachers spent some amount of money out of pocket for their classrooms, with typical amounts ranging from $500 - $1,000.

Making College Even More Costly for Families
The plan also eliminates the student loan interest deduction. This is bad news for students and families. Under current rules, borrowers paying off education loans can annually deduct up to $2,500 of interest paid on student loans. H.R. 1 essentially raises the long-term cost of attending college by eliminating the deductions for interest paid on student loans. According to the IRS, over 12 million individuals claimed this deduction in 2015. Further, the bill eliminates a provision that allows universities to waive tuition

for graduate students. Graduate students would be taxed on the value of that tuition as if it were income, making it almost impossible for many students to afford graduate degrees. In a time of rising college costs and skyrocketing student loan debt, it is unthinkable to take away provisions that assists students and families struggling to pay for college.

Eliminating Successful School Construction Bonds Program
The Qualified Zone Academy Bond (QZAB) Program has proven to be an efficient and cost-effective way to help disadvantaged communities address pressing renovation and repair needs in schools. Investors receive a federal tax credit equal to the amount of interest payable on the bonds, thereby relieving local taxpayers and municipalities of the interest burden. A school that is awarded a QZAB may use the funds to renovate and repair buildings, invest in equipment, and update technology which are all vital to student well-being and success. Eliminating this program will only ensure that more and more students will go to school in yesterday's buildings with out-of-date technology and often unsafe, crumbling infrastructures.

Putting State and Local Public Pensions Funding at Risk
Section 5001 of H.R. 1 could subject certain investment of state and local government pension plans to the unrelated business income tax (UBIT). Investment earnings pay for approximately two-thirds of state and local government pension benefits, which are taxed when distributed to participants. In addition to the revenue lost from the tax itself, subjecting these pension plans to UBIT could pose significant and complex compliance costs that could dramatically affect pension funds. Further, the UBIT will result in a drag on these critically important investment returns, sets a dangerous precedent for taxation of state entities, and will ultimately increase costs to taxpayers.

Rewriting the Tax Code Should Not be Rushed
In 1986, Congress undertook a yearlong, bipartisan effort to deliberately and carefully rewrite the tax code. Measured consideration should again be taken in understanding the near-term and long-term impacts a tax code rewrite will have on families, communities, and public services. Instead, Congressional leadership is rushing the process and putting forward a bill that further tilts the scale in favor of the wealthy and corporations, and paid for by working families. For all of the reasons outlined above, we urge you to **Vote No on H.R. 1**.

Sincerely,

Marc Egan

Marc Egan
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National Education Association