

# Congress Rewards Corporations While Punishing The American People

BY FRANK CLEMENTE

Congress keeps feeding big corporations huge tax cuts they don't deserve, even as it starves average Americans of the services and investments they need. The latest example of this indefensible policy is a \$182 billion corporate tax giveaway <https://www.cbo.gov/sites/default/files/cbofiles/attachments/hr880.pdf> the U.S. House of Representatives recently approved. It comes after Congress passed a budget earlier this month that slashes \$5 trillion <http://www.cbpp.org/research/federal-budget/ten-serious-flaws-in-the-congressional-budget-plan> from benefits and services that help working families get by and get ahead.

This huge tax cut would make permanent a break corporations get for research and development (R&D) costs. The R&D tax credit has been around for years, but only on a "temporary" basis that's been repeatedly extended <http://fas.org/sgp/crs/misc/R43898.pdf>.

While government should support useful private-sector research, this tax break has often been abused: corporations can claim the tax credit for questionable "innovations" including new food flavors, textures and packaging [http://www.etj.org/pdf/research\\_heredit.pdf](http://www.etj.org/pdf/research_heredit.pdf) or use it on research they likely would have done anyway, according to Citizens for Tax Justice. As the Congressional Research Service explains, companies can claim the tax credit for such dubious research because the guidelines for what qualifies as research are "vague and incomplete" <https://www.fas.org/sgp/crs/misc/RL31181.pdf>

Even granting that the R&D tax credit is worthwhile, it should be paid for by closing other corporate tax loopholes. While conservatives demand

that any new spending benefiting the American people be paid for by cutting spending, they hypocritically apply different rules to corporate tax breaks: every dollar handed out to corporations in tax cuts is added to the deficit. The R&D tax credit is not the only huge tax giveaway to corporations and the rich passed by the House this year. Two other costly tax breaks have been approved without being paid for <http://www.americansfor-tax-fairness.org/files/2015-05-15-Editorial-board-memo-on-RD-tax-credit-FINAL-v3.pdf> ("Section 179 expensing" and the "State and Local Sales Tax Deduction Act"). Then there's the \$269 billion cost of repealing the estate tax, which the House voted to do last month, benefiting the wealthiest 0.2% of estates owned by multi-millionaires and billionaires. The total cost of all four of these special-interest tax breaks is \$570 billion over ten years.

Meanwhile, the American people are paying the price for fiscal austerity. The budget blueprint [http://www.nytimes.com/2015/05/06/us/politics/senate-along-party-lines-passes-cost-cutting-budget-blueprint.html?\\_r=4](http://www.nytimes.com/2015/05/06/us/politics/senate-along-party-lines-passes-cost-cutting-budget-blueprint.html?_r=4) just passed by Congress would slash health care <http://democrats.budget.house.gov/committee-report/repUBLICan-budget-conference-plan-work-harder-get-less> for seniors and the poor, ignore crumbling infrastructure, and make it harder for already struggling families to buy groceries and afford college.

The cuts are stupid as well as cruel. The IRS won't have enough money to catch tax cheats <http://www.cbpp.org/research/federal-tax/irs-funding-cuts-continue-to-compromise-taxpayer-service-and-weaken-enforcement>, even though every dollar invested in enforcement reaps six dollars in revenue. Ironically, even as profitable corporations have their often dubious research subsidized by taxpayers, the federal budget blueprint cuts medical and other scientific

research that makes our society healthier and our economy stronger.

All of us have given up something to reduce the deficit -- except corporations. Federal spending is expected to be cut by about \$3.6 trillion over the next 10 years [http://www.budget.senate.gov/democratic/public/\\_cache/files/ea28afb2-456a-440e-a2ba-699587e984b4/the-republican-budget-a-massive-transfer-of-wealth-from-the-middle-class-to-millionaires-and-billionaires.pdf](http://www.budget.senate.gov/democratic/public/_cache/files/ea28afb2-456a-440e-a2ba-699587e984b4/the-republican-budget-a-massive-transfer-of-wealth-from-the-middle-class-to-millionaires-and-billionaires.pdf) due to budget deals enacted since 2010. Total revenue increases will be about \$836 billion, resulting in a very unbalanced ratio of \$4 in spending cuts for every \$1 raised from taxes on the rich. The wealthy could do a lot more, but corporations haven't contributed a dime.

Giveaways like the

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R&D tax credit just add to the unfairness of a system riddled with loopholes. Over a recent five-year period, many familiar corporate giants like General Electric, Verizon and Boeing paid zero federal income tax.

The choices being made by this Congress are very troubling. While it's willing to give out a \$182 billion R&D tax break with no questions asked, it's been scrambling to figure out how to close a ten-year \$168 billion shortfall in the Highway Trust Fund because it's not willing to raise taxes. This imperils basic investments for roads, bridges and mass transit.

Even as Congress makes corporate tax breaks permanent, it refuses to do the same to help working families. The Republican budget failed to renew improvements to the Earned

Income Tax Credit and Child Tax Credit that expire in 2017, which provide crucial income support to working families. As a result, more than 13 million families (including nearly 25 million children) would lose an average of \$1,073 per family.

Voting to give corporations a huge tax cut, without closing loopholes to pay for it, is the height of hypocrisy. It represents an egregious double standard by conservatives: they increase the deficit by providing hundreds of billions in tax breaks to corporations while they slash \$5 trillion in spending that primarily benefits working Americans in order to reduce the deficit.

No further research is needed: that destructive pattern must be reversed. Congress can begin by rejecting the R&D tax credit.

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