

## Tax Cut Bill Threatens Low-Income Californians

Updated November 15, 2017

The Congressional Republican tax plan, [House Resolution 1](#), which drastically reduces taxes paid by extremely wealthy Americans while simultaneously *raising* taxes on Americans who are paid low-wages<sup>1</sup>, poses a significant threat to low-income Californians. The proposed legislation makes it harder to get some of the credits that impoverished workers rely on to meet their basic needs and pay off debt accrued throughout the year. In order to afford the unprecedented tax giveaway to wealthy Americans without dramatically increasing our federal deficit, Congress plans to cut essential basic human needs programs. Blueprints of those plans were in the [Senate budget resolution](#) passed on October 19th and the [House budget resolution](#) passed on October 5<sup>th</sup> of this year. These proposals require those with the least to sacrifice the most because they cut the programs that low income people rely on to pay for the tax giveaways to the ultra-rich. Low-income Californians will have less to pay for basic needs such as food, shelter, and health care causing negative impacts in the overall economy and putting cost pressures on our state general fund.

### *Income Support*

**CalFresh:** The House passed budget act, which all California Republican Members of Congress voted for and all California Democratic Members of Congress voted against, would cut federal Supplemental Nutrition Assistance Program (SNAP-known as CalFresh in CA) assistance by nearly \$140 billion over the next 10 years. The Senate budget, opposed by both California Senators, also contains similar-sized cuts in that area of the budget, but without the specific line-item details. The Center on Budget & Policy Priorities projects that if cuts of these size were spread across the entire SNAP population, each recipient would receive \$40 less per month.<sup>2</sup>

**CalWORKS:** The House budget also called for increased enforcement for work requirements in the Temporary Aid to Needy Families (TANF), known as the California Work Opportunity and Responsibility to Kids (CalWORKs) in California. The language of the proposed policy change has not been shared and it is unclear what impact this would have since the program already has stringent work participation rules. Adults do not receive aid in the program unless they are participating as required in Welfare-to-Work programs.

**Earned Income Tax Credit/Child Tax Credit:** Regardless of the ongoing rhetoric about poverty and work, nearly 80% of poor families in California have earnings from work. The Republican tax plan's Child Tax Credit partially caps at a household's tax liability meaning the lowest income families can't take full advantage. It also prevents taxpayers without Social Security Numbers from claiming the Earned Income Tax Credit & Child Tax Credit which threatens the entire family's income.

**Disability Assistance:** The House budget would cut basic needs grants for children who are disabled through cuts to the Supplemental Security Income (SSI) program. There are more 100,000 children living with disabilities in California who are currently receiving SSI assistance.

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<sup>1</sup> See the Joint Committee on Taxation's November 3, 2017 analysis at [https://www.jct.gov/publications.html?func=download&id=5029&chk=5029&no\\_html=1](https://www.jct.gov/publications.html?func=download&id=5029&chk=5029&no_html=1) showing the bottom income brackets paying more in taxes over time.

<sup>2</sup> [www.cbpp.org/research/federal-budget/republican-plans-to-cut-taxes-now-cut-programs-later-would-threaten-food](http://www.cbpp.org/research/federal-budget/republican-plans-to-cut-taxes-now-cut-programs-later-would-threaten-food)

## **Health Care**

**Medi-Cal:** Both the Senate and House budget plans propose drastic cuts to the Medicaid program over the next 10 years of \$1.3 to \$1.5 trillion. These cuts are deeper than the recent failed Affordable Care Act repeal bills, and like those bills would affect not just the newly qualified Medicaid recipients but include cuts to persons with disabilities, people over age 65, and children. These cuts would affect 13.5 million low-income Californians.

**Tax Subsidies for Health Insurance:** Both budget plans contemplate either eliminating or drastically reducing and restructuring tax credits that are used to purchase health insurance and funds used to offset the costs of co-pays and deductibles. Nearly 1.5 million Californians receive these subsidies.

**Medicare:** Both the Senate and House budget plans contain nearly \$500 billion in cuts to the Medicare program, raise Part B & D premiums, and privatize the program through vouchers.

**Removing the Individual Mandate:** The Senate added repealing the individual mandate requirement to the tax plan. The [Congressional Budget Office](#) estimates that this provision will cause 4 million people to lose insurance and raise rates for others.

## **Shelter**

**HUD Rental Assistance:** The Senate and House budget plans for the Department of Housing and Urban Development would cut the number of Housing Choice Vouchers next year by 40,000 and 120,000, respectively, leaving many low-income seniors, people with disabilities, and families with children without needed help to afford housing.<sup>3</sup> Californians already face long waiting lists to access these vouchers.

**Affordable Housing Production:** The House tax plan repeals both the 4% low-income housing tax credit and tax-exempt private activity bonds, and diminishes the market value of 9% low-income housing tax credits by about 15%. These changes would be catastrophic for the production of rental homes affordable to lower-income Californians. For example, the recently enacted SB 3 places a \$4 billion housing bond on the November 2018 ballot, which has been predicted to produce 50,000 units of affordable housing under current rules. With the changes proposed in the House plan, that number would drop to 15,000-25,000 units.

**The Pain Doesn't Stop There:** The budget also proposes cuts to other basic needs help such as those provided through school lunches for poor children, Pell Grants for impoverished college students, education, job training and other services that help low-income Californians exit poverty. For more information about the impact of these proposals, see California Budget & Policy Center's [district by district breakdowns](#). All of this is being done to give even more money to the wealthiest Americans at a time when income inequality is the worst it has been since the Roaring Twenties. To place the burden on low-income Americans is immoral and beneath the dignity of a great and wealthy country like the United States.

**What can you do?** Please join us in opposing H.R. 1 and the cuts to basic needs assistance proposed by Senate and House Budget Resolutions. Here's how:

1. [Call your representative](#) today to tell them you oppose H.R. 1 and the budget proposals to cut the safety net.
2. Join the fight on social media, following hashtag #TheseCutsHurt #HandsOff #NotOnePenny #TaxScam and reposting and sharing materials and visuals.
3. Join the Federal Human Needs Coalition by adding your organizational name to a list of 1,500 calling for a budget that invests in all. <https://www.chn.org/take-action/action-alerts/>

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<sup>3</sup> <https://www.cbpp.org/research/housing/congress-should-add-funding-to-prevent-2018-housing-voucher-cuts>

**Contact Our Sacramento Advocates:** For more information about Western Center and our advocacy priorities, go to [www.wclp.org](http://www.wclp.org).

***Health***

Jen Flory  
JFlory@wclp.org, 916-282-5141

Linda Nguy  
LNguy@wclp.org, 916-282-5117

***Human Services***

Jessica Bartholow  
JBartholow@wclp.org, 916-282-5119

Mike Herald  
MHerald@wclp.org, 916-282-5112

***Housing***

Anya Lawler  
ALawler@wclp.org, 916-282-5103