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FINANCE

VETERANS' AFFAIRS

United States Senate

WASHINGTON, DC 20510 - 3505

July 12, 2019

The Hon. Steve Mnuchin
Secretary, Department of the Treasury
1500 Pennsylvania Ave NW
Washington, DC 20220

Dear Secretary Mnuchin:

We urge you to reject reported plans to use questionable authority to – yet again – lavish tax cuts upon our country's wealthiest, while middle class families and working people continue to see costs rise and wages stagnate.

According to press reports, the White House is considering unilaterally changing the definition of capital gains, so that the original purchase price of assets is indexed to inflation. This change would produce yet another enormous tax cut for the wealthy – including foreign shareholders. Under current law, the benefit of taxing capital gains at lower rates than the rates on wages flows predominantly to wealthy individuals. The Urban-Brookings Tax Policy Center finds that 70 percent of this benefit accrues to taxpayers with incomes over \$1 million.

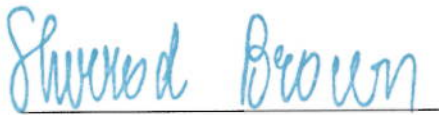
The proposed change of indexing the basis price would similarly and overwhelmingly benefit the wealthiest of the wealthy. According to the Penn-Wharton Budget Model, this change amounts to a \$102 billion tax cut, 86 percent of which flows to the top 1 percent of taxpayers. Of course, this proposal follows the Tax Cuts and Jobs Act, passed less than two years ago, which also cut taxes for the wealthy and rewarded companies who shipped jobs overseas, but did next to nothing for hard-working families finding it more and more difficult to keep up or get ahead.

This is not the first time an administration has considered using their own questionable authority to make this change – President George Bush also pursued this proposal. At that time, the Treasury Department correctly concluded the Executive Branch lacked the authority to index the basis price to inflation by regulation.¹ As a result, President Bush wisely abandoned this plan. It is our expectation that you will show similar prudence and urge the President to abandon this proposal which, in addition to being legally suspect, will only worsen inequality while failing to “pay for itself,” just as other tax cuts have.

We remain concerned by this Administration's relentless preoccupation with cutting taxes for our country's wealthiest taxpayers while leaving behind middle class families and working people – even to the extent that it would consider exceeding its legal authority to do so. We urge you to oppose this misguided proposal. As you consider the tax treatment of capital gains, we urge you to take steps to make our tax code fairer and allow us to make more significant investments toward an economy that actually helps workers and families get ahead.

¹ <https://www.justice.gov/file/20536/download>

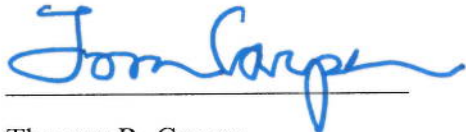
Sincerely,



Sherrod Brown
United States Senator



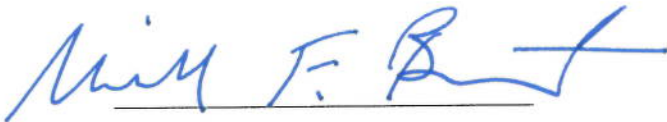
Ron Wyden
United States Senator



Thomas R. Carper
United States Senator



Benjamin L. Cardin
United States Senator



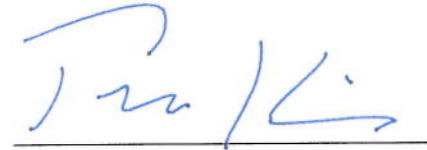
Michael F. Bennet
United States Senator



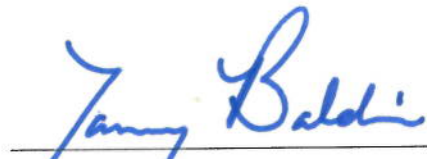
Robert P. Casey, Jr.
United States Senator



Sheldon Whitehouse
United States Senator



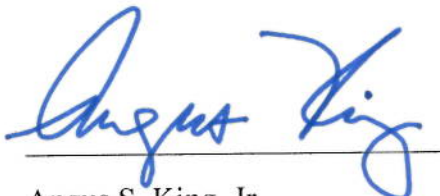
Tim Kaine
United States Senator



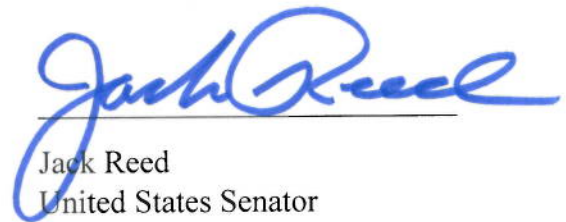
Tammy Baldwin
United States Senator



Amy Klobuchar
United States Senator



Angus S. King, Jr.
United States Senator



Jack Reed
United States Senator

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Richard J. Durbin
United States Senator

Handwritten signature of Jeffrey A. Merkley in blue ink, underlined.

Jeffrey A. Merkley
United States Senator

Handwritten signature of Bernard Sanders in blue ink, underlined.

Bernard Sanders
United States Senator