



**To:** Friends and Allies  
**Fr:** Felicia Wong, President  
Steph Sterling, Vice President for Advocacy and Policy  
**Re:** Progressives' Response to the Trump Tax Law: A Proposal for Moving Forward

We hope you had a happy and restorative New Year. As we assess the fights behind us and prepare for the year ahead, we wanted to share with you our reflections on a path forward following the passage of the Republican tax law.

Though the passage of the law was, and is, a brutal blow, the progressive fight against it was not without victories. Hundreds of thousands of Americans took action. The Democratic Party was united in opposition. American voters—as measured by dozens of surveys and the final tally in Alabama—soundly rejected the Republican tax plan. And for the first time in generations, the elite consensus on what makes good tax policy has crumbled.

But these bright spots do not erase the harm this law will cause. It will widen the gap between rich and poor that has crippled our economy and distorted our democracy. It will exacerbate the worst trends of the last several decades—creating economic distortions that further fuel profits at the top, increasing rewards for short-term speculation, and tilting the playing field away from the small businesses that drive higher wages and new jobs. For millions of Americans struggling to pay their bills, it will raise taxes—an unconscionable outcome, given the historic redistribution of wealth upward that this law will cause. And it will hamper our collective fight to expand public goods and make our country as fair, as strong, and as free as its promise.

We must make the call to repeal the Trump tax law central to every progressive's candidacy in 2018. As progressives, we cannot let this law stand.

For progressives to simply call for the law's repeal, however, without any call to enact real reform in its place, would squander the opportunity this political moment provides to reclaim the progressive voice in our economic debate and address the inequality that is plaguing our economy and our democracy. To harness the moment for real change, a progressive vision for a reformed tax code must also be central to every progressive's candidacy in 2018.

We at the Roosevelt Institute think that any progressive tax reform plan put forward must include four things. First, it should raise marginal rates on the rich, so executives will have the incentive to raise wages and grow their businesses, rather than raise their own wages. Second, it should tax income from wealth at a higher rate than income from work to advantage the rewards of work over activities like short-term trading or real estate speculation. Third, it should address the serious problem of tax avoidance by multinational corporations, including through tougher enforcement and higher effective taxation, to restore competition in the economy and give power back to small businesses. And finally, it should restore the estate tax to reduce the endless accumulation of unproductive capital and the corrosive division between the haves and have-nots.

A call to repeal the Republican tax law, and, in its stead, replace it with progressive tax reform is critical to consolidating the substantive and political gains we have made in this fight. Progressive tax reform is one of the strongest levers we have to fundamentally restructure our economy, rather

than tinker at the edges. Progressive tax reform can curb the consolidation of wealth and power that just allowed corporations to rewrite the tax code on their behalf. It can create a level playing field for small businesses and workers, and encourage CEOs to invest corporate profits in new jobs and higher wages instead of keeping it all for themselves. And it can grow the economy, by giving us the resources we need to invest in our communities and easing the burdens on middle class families whose purchasing power drives our economy forward.

Such a call is not just good policy. It's also good politics. For the first time in years, Democrats have overtaken Republicans on the core question of who voters trust more to handle the economy. Voters intuitively understand the link between fair taxation and economic growth, and they believe, by wide margins, that making corporations and the wealthy pay their fair share of taxes will strengthen the economy—the issue they care most about. A call to repeal the Republican tax law and champion a progressive alternative opens the door for the contrast we need to consolidate this advantage. It puts Democrats squarely on the right side of a contest between the failed trickle-down tax policies of the past and the new, more progressive tax policies of the future—ones that account for and begin to solve for the real, out-of-balance economy Americans experience today. It also allows progressives to stand squarely for a plan to restructure the economy—the bigger fight Democrats must win—while minimizing the familiar divisions that arise when we argue that the main role of taxes is to increase government revenue to “pay for” public investments or programs, however much they are needed.

Progressives have an opportunity to consolidate the gains we have made in this fight and demand a sharp break with the tax consensus of the past that has led us to the most unequal distribution of wealth in our country in a hundred years. A call to repeal the Trump tax plan and replace it with real, progressive reform that rebalances power is what our politics—and our country—needs.

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