



Written Testimony of

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Subcommittee on Economic Policy

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Chair Warren, Ranking Member Kennedy, and Members of the Subcommittee, thank you for the opportunity to testify. My name is Amy K. Matsui, and I am the Director of Income Security and Senior Counsel at the National Women’s Law Center (NWLC).

NWLC fights for gender justice—in the courts, in public policy, and in our society—working across the issues that are central to the lives of women and girls. We use the law in all its forms to change culture and drive solutions to the gender inequity that shapes our society and to break down the barriers that harm all of us—especially women of color, LGBTQ people, and women and families with low incomes.

My testimony today will address the role that tax policy can play in increasing equity, stimulating economic growth, and reducing the federal deficit.

The Debt Ceiling Should Be Raised, Without Conditions.

There is widespread agreement that failing to increase the debt ceiling, with the resulting default on the financial obligations of the United States, would have catastrophic effects on the global and domestic economy.¹ It would likely trigger a recession and cause widespread job loss.² Households across the country would feel direct impacts ranging from unemployment, to delayed receipt of critical federal benefits like Social Security, Supplemental Nutrition Assistance Program benefits, and housing assistance, to increased interest rates on consumer debt and mortgages.³

These devastating impacts would be particularly damaging in the wake of the COVID-19 health and economic crisis, which exacerbated existing gender and racial inequities.⁴ Recovery from the pandemic recession has been uneven,⁵ with women, particularly women of color, continuing to lag behind.⁶ Much of the COVID emergency assistance that buoyed the financial

¹ See, e.g., Alan Rappeport, Jim Tankersley & Jeanna Smialek, “The U.S. Hit the Debt Ceiling. What Does That Mean and What Happens Now?” (N.Y. Times, Jan. 11, 2023), <https://www.nytimes.com/2023/01/11/us/politics/debt-ceiling-economy-congress.html>; Letter from 200 Economists Urging Clean Extension of the Debt Ceiling (Mar. 2, 2023), https://equitablegrowth.org/wp-content/uploads/2023/03/Debt-Ceiling-Letter_March2.pdf.

² See, e.g., Christopher Condon and Mackenzie Hawkins, “Yellen Warns of Recession as Inevitable if US Defaults on Debt” (Bloomberg Government, Jan. 20, 2023), <https://www.bloomberg.com/news/articles/2023-01-20/yellen-says-treasury-system-not-built-to-prioritize-certain-debt#:~:text=Treasury%20Secretary%20Janet%20Yellen%20said,%E2%80%9Cundoubtedly%E2%80%9D%20trigger%20a%20recession.>

³ See, e.g., Council of Economic Advisors, “The Debt Ceiling: An Explainer” (White House, Oct. 2021), <https://www.whitehouse.gov/cea/written-materials/2021/10/06/the-debt-ceiling-an-explainer/>.

⁴ Brooke LePage and Sarah Javaid, “Amid Rising Household Costs, Black, Non-Hispanic Women and Latinas Continue to Face Economic Fallout from the Pandemic” (National Women’s Law Center, August 2022), <https://nwlc.org/wp-content/uploads/2022/08/PulseWeek47FS.pdf>.

⁵ Jasmine Tucker and Julie Vogtman, “Resilient but Not Recovered: After Two Years Of The Covid-19 Crisis, Women Are Still Struggling” (National Women’s Law Center, March 2022), <https://nwlc.org/resource/resilient-but-not-recovered-after-two-years-of-the-covid-19-crisis-women-are-still-struggling/>.

⁶ Jasmine Tucker and Brooke LePage, “Women Gain 263,000 Jobs in January” (National Women’s Law Center, February 2023), <https://nwlc.org/wp-content/uploads/2023/02/Jan-Jobs-Day.pdf>.

security of families with low incomes in 2021 and 2022 has expired or will do so shortly.⁷ Policymakers have, moreover, thus far failed to make the public investments that the pandemic revealed to be essential to an economy that works for all of us. For example, the pandemic demonstrated the extent to which the economy relies on unpaid and undervalued caregiving, performed mostly by women.⁸ Yet federal lawmakers failed to enact robust, long-term investments in the care economy (such as child care, paid leave, and disability and aging care). As a result, many women, especially women of color and women with low incomes, are facing additional challenges in returning to the workforce.⁹

These, and other inequities that prevent full participation in the economy persist following the pandemic – and render women, people of color, families with low incomes, and the economy more generally, vulnerable to additional shocks. Accordingly, it is imperative that the Congress approve an increase in the debt ceiling, without delay or precondition.

Making the Tax Code Fairer Would Increase Equity, Stimulate Economic Growth, and Also Reduce the Deficit.

Policymakers who are concerned about economic growth and the strength of the economy¹⁰ should take steps to make the tax code more progressive after a clean extension of the debt limit.

⁷ See, e.g., Natalie Campisi, “Covid SNAP Emergency Benefits Expire Nationwide In February” (Forbes, Jan. 16, 2023), <https://www.forbes.com/advisor/personal-finance/snap-emergency-boost-ending/>; “Refundable Tax Credit Expansions Will Help Build Long-Term Economic Prosperity for Women and Families” (National Women’s Law Center, November 2022), <https://nwlc.org/resource/permanently-expanded-refundable-tax-credits-will-support-an-equitable-economic-recovery/>; Karen Schulman, “Child Care Rescue: How States Are Using Their American Rescue Plan Act Child Care Funds” (National Women’s Law Center, October 2022), <https://nwlc.org/resource/child-care-rescue-how-states-are-using-their-american-rescue-plan-act-child-care-funds/>.

⁸ See Josephine Kalipeni & Julie Kashen, “Building Our Care Infrastructure: For Equity, Economic Recovery, and Beyond” (Sept. 1, 2020), https://caringacross.org/wp-content/uploads/2020/09/Building-Our-Care-infrastructure_FINAL.pdf.

⁹ See, e.g., Mitchell Hartman, “A child care shortage is making it difficult for many mothers to return to full-time work” (Marketplace, Oct. 7, 2022), <https://www.marketplace.org/2022/10/07/a-child-care-shortage-is-making-it-difficult-for-many-mothers-to-return-to-full-time-work/>; Eleanor Mueller, “The Pandemic Has Created Two Very Different Kinds of Workplaces. That Especially Matters for Women” (Politico, Dec. 5 2022), <https://www.politico.com/news/magazine/2022/12/05/women-rule-child-care-00071707>.

¹⁰ See, e.g., Letter from Rep. Jason Smith to Rep. Jodey Arrington (House Committee on Ways and Means, Feb. 28, 2023) (“Current debt levels are already a threat to economic growth and, unless action is taken, the projected increase in the national debt is a threat to the economic foundation of the country. Thus, the Committee intends to pursue policies to address the growth in the national debt. . .”), <https://waysandmeans.house.gov/wp-content/uploads/2023/02/VE-Letter-FY2024.pdf?source=email>.

Extreme income and wealth inequality, fueled in part by a failed strategy of trickle-down tax cuts,¹¹ hampers economic growth.¹² While the income tax code’s rate structure is progressive, its overall progressivity has been undermined in recent decades by tax cuts that overwhelmingly favor the richest households and the expansion of policies that treat wealth preferentially. Commensurate changes to other parts of the tax system—including corporate tax rate cuts and ballooning exemptions to the estate tax—have also fueled income and wealth inequality. The failure of such tax policies to produce robust economic growth and broadly shared prosperity is well-established.¹³ Tax policies favoring the wealthy and corporations, moreover, are less likely to favor households of color¹⁴ and women supporting families on their own¹⁵ because they are overrepresented among low- and moderate-income households (due to systemic discrimination). Such policies not only reflect and further discrimination across our economic systems and structures, but also have hampered investments that ensure that the economy works for everyone, by failing to collect adequate tax revenues over time. Further, by significantly reducing federal revenues, these regressive tax policies have increased deficits.

For these reasons, policymakers concerned about economic growth and the fundamental strength of the economy should increase the progressivity of the tax code. Revenues raised by more progressive tax policies could further support a more robust economy, and broadly shared prosperity, if invested in public supports for caregiving, accessible and affordable housing, and other kinds of infrastructure. These revenues could also be used to reduce the amount of federal debt.

¹¹ James B. Steele, “How Four Decades of Tax Cuts Fueled Inequality” (Bloomberg Tax, Nov. 29, 2022), <https://news.bloombergtax.com/daily-tax-report/how-four-decades-of-tax-cuts-fueled-inequality-james-b-steele?context=article-related>.

¹² See, e.g., Heather Boushey, Testimony Before the Joint Economic Committee on “Measuring Economic Inequality in the United States” (Washington Center for Equitable Growth, Oct. 2019), <https://equitablegrowth.org/testimony-by-heather-boushey-before-the-joint-economic-committee-2/>; Josh Bivens, “Inequality is Slowing U.S. Economic Growth: Faster Wage Growth for Low- and Middle-wage Workers is the Solution” (Economic Policy Institute, December 12, 2017), <https://www.epi.org/publication/secular-stagnation/>; Orsetta Causa, Alain de Serres, and Nicolas Ruiz, “Growth and Inequality: Close Relationship?” (OECD, 2014), <https://www.oecd.org/economy/growth-and-inequality-close-relationship.htm>; Atif R. Mian, Ludwig Straub, and Amir Sufi, “Indebted Demand” (National Bureau of Economic Research, April 2020), <https://www.nber.org/papers/w26940>.

¹³ David Jones & Julian Limberg, “The Economic Consequences of Major Tax Cuts for the Rich” (London School of Economics, Dec. 2020), https://eprints.lse.ac.uk/107919/1/Hope_economic_consequences_of_major_tax_cuts_published.pdf; William Gale, Testimony Before the House Select Committee on Economic Disparity and Fairness in Growth, “Tackling the Tax Code: Evaluating Fairness, Efficiency, and Potential to Spur Inclusive Economic Growth” (Tax Policy Center, June 22, 2022), https://www.brookings.edu/wp-content/uploads/2022/06/20220622_Gale_HouseSelectCommitteeTestimony.pdf.

¹⁴ Julie-Anne Cronin, Portia DeFelippes & Robin Fisher, “Tax Expenditures by Race and Hispanic Ethnicity: An Application of the U.S. Treasury Department’s Race and Hispanic Ethnicity Imputation” (Department of Treasury, Office of Tax Analysis, Jan. 2023), <https://home.treasury.gov/system/files/131/WP-122.pdf>.

¹⁵ See Gender and the Tax Code (National Women’s Law Center, April 2022), <https://nwlcc.org/resource/gender-and-the-tax-code/>.

As an initial matter, policymakers should decline to extend, much less make permanent, the regressive provisions of the Tax Cuts and Jobs Act of 2017 (TCJA) that are expiring in 2025. This legislation, whose benefits overwhelmingly went to the wealthy and big corporations, will have reduced federal revenues by an estimated \$1.6 trillion dollars over a ten-year period,¹⁶ increasing the deficit by nearly \$2 trillion¹⁷ without producing appreciable economic growth.¹⁸ Extending the expiring provisions would further reduce federal revenues by an estimated \$2.2 trillion over ten years,¹⁹ increasing the deficit by an estimated \$3 trillion²⁰ and similarly bestowing the bulk of its benefits on the wealthy. Policymakers should also eschew proposals like the Fair Tax Act of 2023,²¹ which would reduce federal revenues by \$10 trillion over ten years.²²

There are numerous tax policy options that would instead make the tax code more equitable and stimulate economic growth, while raising significant federal revenues. Many of these were proposed by the Biden Administration and in the previous Congress. For example:

- *Raise the corporate tax rate and enact international tax reforms.* In 2017, the TCJA permanently slashed the corporate tax rate from 35 percent to 21 percent and created new incentives for corporations to take their jobs and resources overseas, among other corporate tax cuts.²³ One proposal from the Biden administration would raise the corporate rate to 28 percent²⁴ and close many of the loopholes that benefit companies who invest offshore.²⁵ Raising the corporate rate would raise an estimated **\$1.3 trillion**

¹⁶ Budget and Economic Data, “Revenue Projections, by Category” (Congressional Budget Office, Feb. 2023), <https://www.cbo.gov/data/budget-economic-data#7>.

¹⁷ “Is Spending, Not Tax Cuts, Driving the Deficit?” (Committee for a Responsible Federal Budget, Sept. 2019), <https://www.crfb.org/blogs/spending-not-tax-cuts-driving-deficit>.

¹⁸ William Gale & Claire Hardeman, “Searching for supply-side effects of the Tax Cuts and Jobs Act” (Brookings Institute, July 2021), <https://www.brookings.edu/research/searching-for-supply-side-effects-of-the-tax-cuts-and-jobs-act/>.

¹⁹ “CBO Estimates TCJA Extensions Could Cost Up to \$2.7 Trillion” (Committee for a Responsible Federal Budget, July 2022), <https://www.crfb.org/blogs/cbo-estimates-tcja-extensions-could-cost-27-trillion>.

²⁰ Howard Gleckman, “Making The TCJA’s Individual Tax Cuts Permanent Would Add More than \$3 Trillion To The Federal Debt, Mostly Benefit High-Income Households” (Tax Policy Center, Nov. 30, 2022), <https://www.taxpolicycenter.org/taxvox/making-tcias-individual-tax-cuts-permanent-would-add-more-3-trillion-federal-debt-mostly>.

²¹ H.R. 25, Fair Tax Act of 2023, 118th Cong. (2023), <https://www.congress.gov/bill/118th-congress/house-bill/25>.

²² William Gale & Kyle Pomerleau, “Proposed FairTax Rate Would Add Trillions to Deficits Over Ten Years” (Tax Policy Center, Mar. 1, 2023), <https://www.taxpolicycenter.org/taxvox/proposed-fairtax-rate-would-add-trillions-deficits-over-ten-years>.

²³ “How did the Tax Cuts and Jobs Act change business taxes?” (Tax Policy Center, May 2020), <https://www.taxpolicycenter.org/briefing-book/how-did-tax-cuts-and-jobs-act-change-business-taxes>.

²⁴ “General Explanations of the Administration’s Fiscal Year 2023 Revenue Proposals” (U.S. Department of the Treasury, March 2022), <https://home.treasury.gov/system/files/131/General-Explanations-FY2023.pdf>, p. 2.

²⁵ “The Made in America Tax Plan” (U.S. Department of the Treasury, April 2021), https://home.treasury.gov/system/files/136/MadeInAmericaTaxPlan_Report.pdf.

over ten years.²⁶ President Biden has also supported a recent multilateral agreement to establish a global 15 percent minimum tax on large corporations.

- *Increase income tax rates for the wealthiest.* A proposed “millionaires surtax,”²⁷ such as one passed by the House of Representatives in 2021, would increase tax fairness by ensuring those at the top who can afford to pay more do so.²⁸ This proposal would raise an estimated **\$228 billion** over ten years.²⁹
- *Tax income from wealth like income from work.* The design of the individual income tax is intended to take taxpayers’ ability to pay into consideration. Yet billionaires pay an estimated effective tax rate of only 8% annually,³⁰ compared to higher rates for working people. Forty-one percent of the income received by the richest households in the United States is derived from wealth, rather than from work.³¹ Income from wealth, such as capital gains, is generally taxed at a lower rate than the top marginal rate for income from work (20% compared to 37%).³² Moreover, income from work is taxed when received while capital gains are only taxed when assets are sold, even though economists and tax scholars recognize that these gains meet the economic definition of income.³³ This enables the wealthy to borrow against their wealth, or wait to sell until they have other financial circumstances that reduce their tax liability. In addition, wealthy individuals can avoid taxation on their assets if they hold onto them until they

²⁶ “General Explanations FY 2023,” p. 110.

²⁷ “Build Back Better Act” (Congressional Record Vol. 167, No. 201 (House - November 18, 2021), <https://www.congress.gov/congressional-record/volume-167/issue-201/house-section/article/H6375-4>).

²⁸ Millionaire’s Surtax Act, <https://www.vanhollen.senate.gov/imo/media/doc/MCG21758%20-%20Millionaires%20Surtax%20Act.pdf>; Jean Ross and Seth Hanlon, “The Millionaire Surcharge Would Improve the Fairness of the Tax Code” (Center for American Progress, June 8, 2022), <https://www.americanprogress.org/article/the-millionaire-surcharge-would-improve-the-fairness-of-the-tax-code>.

²⁹ “Estimated Budget Effects Of The Revenue Provisions Of Title XIII – Committee On Ways And Means, Of H.R. 5376, The “Build Back Better Act,” As Reported By The Committee On The Budget, With Modifications (Rules Committee Print 117-18)” (Joint Committee on Taxation, Nov. 4, 2021), <https://www.jct.gov/publications/2021/jcx-45-21/>.

³⁰ Greg Leiserson and Danny Yagan, “What Is the Average Federal Individual Income Tax Rate on the Wealthiest Americans?” (White House Council of Economic Advisors, September 23, 2021), <https://www.whitehouse.gov/cea/written-materials/2021/09/23/what-is-the-average-federal-individual-income-tax-rate-on-the-wealthiest-americans/>.

³¹ Chuck Marr, Samantha Jacoby, and Kathleen Bryant, “Substantial Income of Wealthy Households Escapes Annual Taxation Or Enjoys Special Tax Breaks” (Center on Budget and Policy Priorities, November 13, 2019), <https://www.cbpp.org/research/federal-tax/substantial-income-of-wealthy-households-escapes-annual-taxation-or-enjoys>.

³² “Fact Sheet: The American Families Plan” (White House, April 28, 2021) <https://www.whitehouse.gov/briefing-room/statements-releases/2021/04/28/fact-sheet-the-american-families-plan/>.

³³ See, e.g., Neil Buchanan, “The Proposed Tax on Billionaires’ Income Is Most Assuredly Constitutional, Unless the Supreme Court Simply Makes Stuff Up” (Verdict, Oct. 2021), <https://verdict.justia.com/2021/10/28/the-proposed-tax-on-billionaires-income-is-most-assuredly-constitutional-unless-the-supreme-court-simply-makes-stuff-up>.

die. When the next generation inherits, the asset is valued, for tax purposes, as of the time of inheritance—known as the “step up in basis” or “stepped-up basis.”³⁴ This way, the heirs receive the benefit of assets that have grown in value over a lifetime without those gains ever being taxed.

Raising the capital gains rate³⁵ and closing the stepped-up basis loophole,³⁶ as proposed by the Biden Administration, would raise an estimated **\$174 billion** over ten years.³⁷ Taxing unrealized capital gains annually for the wealthiest, moreover, such as in President Biden’s proposed Billionaire Minimum Income Tax,³⁸ would raise an estimated **\$361 billion** over ten years.³⁹

- *Tax wealth itself.* Another potential option to ensure that the wealthiest pay a fairer share of taxes⁴⁰ is to institute a wealth tax—an annual tax on the entire value of a taxpayer’s net worth, defined as the total value of all assets minus any debts⁴¹--for the richest households. While wealth tax proposals vary in their design, they would raise significant amounts of revenue. For example, Senator Elizabeth Warren’s wealth tax is estimated to raise up to **\$3 trillion** over ten years.⁴²
- *Expand the Net Investment Income Tax.* High-income wage-earners pay 3.8% in payroll taxes to fund Medicare, but the equivalent tax applied to other forms of income does not go far enough. This is because the equivalent tax, a 3.8% tax called the Net Investment Income Tax (NIIT), applies to income sources including capital gains, dividends, interest, rents and royalties, but not to certain business income.⁴³ One proposed expansion of the NIIT⁴⁴ would raise an estimated **\$252 billion** over ten years.⁴⁵

³⁴ “What are the largest tax expenditures?” (Tax Policy Center, May 2020), <https://www.taxpolicycenter.org/briefing-book/what-are-largest-tax-expenditures>.

³⁵ “General Explanations FY 2023,” p. 30.

³⁶ “General Explanations FY 2023,” p. 30.

³⁷ “General Explanations FY 2023,” p. 111.

³⁸ “General Explanations FY 2023,” p. 34.

³⁹ “General Explanations FY 2023,” p. 111.

⁴⁰ Jesse Eisinger, Jeff Ernsthause & Paul Kiel, “The Secret IRS Files: Trove of Never-Before-Seen Records Reveal How the Wealthiest Avoid Income Tax” (ProPublica, June 8, 2021), <https://www.propublica.org/article/the-secret-irs-files-trove-of-never-before-seen-records-reveal-how-the-wealthiest-avoid-income-tax>.

⁴¹ Greg Leiserson, “Taxing Wealth” (Washington Center for Equitable Growth, January 28, 2020), https://www.hamiltonproject.org/assets/files/Leiserson_LO_FINAL.pdf; Lily Batchelder and David Kamin, “Taxing the Rich: Issues and Options” (September 11, 2019), https://papers.ssrn.com/sol3/papers.cfm?abstract_id=3452274; Steve Wamhoff, “The U.S. Needs a Federal Wealth Tax” (Institute on Taxation and Economic Policy, January 23, 2019), <https://itep.org/the-u-s-needs-a-federal-wealth-tax/>.

⁴² “An Economic Perspective on Wealth Taxes” (Congressional Research Service, April 2022), <https://crsreports.congress.gov/product/pdf/IF/IF11823>.

⁴³ “Questions and Answers on the Net Investment Income Tax” (IRS, September 29, 2022) <https://www.irs.gov/newsroom/questions-and-answers-on-the-net-investment-income-tax>.

⁴⁴ “Build Back Better Act.”

⁴⁵ “Estimated Budget Effects, Build Back Better Act.”

- *Close the carried interest loophole.* This provision privileges compensation for private equity managers by allowing them to characterize their income as capital gains, which are subject to a lower tax rate than ordinary income.⁴⁶ The current treatment of carried interest benefits wealthy workers,⁴⁷ and raises particular equity concerns, given that private equity is a sector that is notoriously lacking in gender and racial diversity.⁴⁸ The Biden Administration has proposed closing this loophole, which would raise an estimated **\$6.6 billion** in revenue over ten years.⁴⁹

Enacting progressive tax policies like these could stimulate economic growth by reducing economic inequality, especially if the ensuing revenues were invested in long-overdue and much-needed supports for women, people of color, workers with low incomes, and caregivers. They could also be used to reduce the deficit.

Protecting and Increasing Funding for the IRS Would Augment Revenues Collected.

Policymakers can also support deficit reduction by ensuring the IRS has sufficient resources to enforce tax laws already on the books. Every year, an estimated \$450 billion in taxes is owed but not collected, known as the “tax gap.”⁵⁰

Households in the top 1% of income are responsible for an estimated one-quarter of the tax gap.⁵¹ A decade of deep budget cuts left the IRS unable to go after high-income taxpayers with sophisticated tax counsel and the resources to wage lengthy, expensive legal battles over their tax liability.⁵² A study by the Treasury Inspector General found that, in Tax Years 2014 through 2016, the IRS failed to pursue over 300,000 high-income individuals who did not even file tax returns.⁵³ Tax enforcement against the very rich has declined to the point where the IRS now audits low-income taxpayers claiming the EITC—a refundable tax credit for taxpayers with low

⁴⁶ “What is carried interest, and how is it taxed?” (Tax Policy Center, May 2020), <https://www.taxpolicycenter.org/briefing-book/what-carried-interest-and-how-it-taxed>.

⁴⁷ Tim Murphy, “Biden and Trump Both Trashed Private Equity’s Favorite Tax Dodge. Surprise! It’s Still Here.” (Mother Jones, May-June 2022), <https://www.motherjones.com/politics/2022/05/carried-interest-loophole-biden-trump-private-equity-tax-break/>.

⁴⁸ Steve Hendershot, “Private equity struggles with its diversity problem” (Chicago Business, October 15, 2021), <https://www.chicagobusiness.com/equity/private-equity-struggles-its-diversity-problem>.

⁴⁹ “General Explanations FY 2023,” p. 112.

⁵⁰ “IRS updates tax gap estimates; new data points the way toward enhancing taxpayer service, compliance efforts” (IRS, October 28, 2022), <https://www.irs.gov/newsroom/irs-updates-tax-gap-estimates-new-data-points-the-way-toward-enhancing-taxpayer-service-compliance-efforts>.

⁵¹ Natasha Sarin, “The Case for a Robust Attack on the Tax Gap” (U.S. Department of the Treasury, September 7, 2021), <https://home.treasury.gov/news/featured-stories/the-case-for-a-robust-attack-on-the-tax-gap>.

⁵² “Chart Book: The Need to Rebuild the Depleted IRS” (Center on Budget and Policy Priorities, December 16, 2022), <https://www.cbpp.org/research/federal-tax/the-need-to-rebuild-the-depleted-irs>.

⁵³ Treasury Inspector General for Tax Administration, “High-Income Nonfilers Owing Billions of Dollars Are Not Being Worked by the Internal Revenue Service” (May 29, 2020), <https://www.treasury.gov/tigta/auditreports/2020reports/202030015fr.pdf>.

and moderate incomes, from which women and people of color disproportionately benefit—at close to the same rates as those in the top one percent of income.⁵⁴

The Inflation Reduction Act of 2022 provided the IRS with almost \$80 billion in additional funding over 10 years,⁵⁵ and Daniel Werfel, nominated to be the IRS Commissioner, has committed to direct those resources towards strengthening tax enforcement against the wealthy.⁵⁶ This level of funding has been conservatively estimated to collect around \$400 billion net over a 10-year period.⁵⁷ Fully implementing the IRA's increased funding and rebuilding the IRA's budget through the regular appropriations process⁵⁸ will help reduce the federal deficit.

Increasing Investments, Not Cutting Spending, Will Ensure an Economy That Works for All of Us

Even before the pandemic, too many families struggled from paycheck to paycheck in our economy. With wages stagnant for decades while the costs of child care, housing, and higher education skyrocketed, working families face unrelenting financial pressure. A substantial share of working families do not have enough cash on hand to meet a \$400 emergency expense,⁵⁹ and may find themselves forced to choose which bills to pay, whether to forego needed health care, or worse.

In addition, women supporting families on their own, and households of color, are at even higher risk of economic insecurity throughout their lives. They face systemic discrimination in school, at work, and where they live.⁶⁰ They make up a disproportionate share of poorly paid

⁵⁴ “SOI Tax Stats - Examination Coverage: Individual Income Tax Returns Examined - IRS Data Book Table 9b,” (Internal Revenue Service, May 14, 2021), <https://www.irs.gov/statistics/soi-tax-stats-examination-coverage-individual-income-tax-returns-examined-irs-data-book-table-9b>.

⁵⁵ “IRS-Related Funding in the Inflation Reduction Act” (Congressional Research Service, October 20, 2022), <https://crsreports.congress.gov/product/pdf/IN/IN11977>.

⁵⁶ Testimony of Daniel Werfel, Nominee to be the Commissioner of Internal Revenue Service, Nomination Hearing before the Senate Finance Committee (February 15, 2023), <https://www.finance.senate.gov/imo/media/doc/Opening%20Statement%20of%20Daniel%20Werfel%20before%20the%20Senate%20Finance%20Committee.pdf>.

⁵⁷ Natasha Sarin, “The Substantial Revenue-Raising Potential of Tax Compliance Efforts” (Department of the Treasury, Oct. 2021), <https://home.treasury.gov/news/featured-stories/the-substantial-revenue-raising-potential-of-tax-compliance-efforts>.

⁵⁸ Chuck Marr, Samantha Jacoby & Jabari Cook, “Success of The IRS Rebuilding and Tax Gap Reduction Effort Depends on Sufficient Funding Through Annual Appropriations” (Center On Budget And Policy Priorities, December 7, 2022), <https://www.cbpp.org/research/federal-tax/success-of-the-irs-rebuilding-and-tax-gap-reduction-effort-depends-on>.

⁵⁹ Economic Well-Being of U.S. Households (SHED) (Federal Reserve, May 2022), <https://www.federalreserve.gov/publications/2022-economic-well-being-of-us-households-in-2021-dealing-with-unexpected-expenses.htm>.

⁶⁰ See, e.g., A Tax Code for the Rest of Us (National Women’s Law Center & Georgetown Center on Poverty & Inequality, Nov. 2019), <https://nwlc.org/resource/a-tax-code-for-the-rest-of-us-a-framework-recommendations-for-advancing-gender-racial-equity-through-tax-credits/#>; The Roots of Discriminatory Housing Policy (National Women’s Law Center, Insight Center, Groundwork Collaborative, Aug. 2022), <https://nwlc.org/wp-content/uploads/2022/08/Housing-Paper-Accessible-FINAL-1.pdf>.

workers, and face occupational segregation.⁶¹ They are overrepresented at the lower end of the income scale, and underrepresented at the upper end. They experience significant wealth disparities compared to white men, and white families.⁶²

We know that federal benefits like child care assistance, Social Security, Medicare and Medicaid, the Child Tax Credit, and nutrition and housing assistance improve people’s lives for the better, short-term and long-term. Public benefits can help ameliorate the impact of systemic discrimination, reduce wage gaps, and help people provide the basics for themselves and their families. These benefits not only improve health, educational, and employment outcomes for children and families, but help stimulate the economy. In a real-time example, federal relief provided in 2020 and 2021 helped insulate women, households of color, and children from the worst economic impacts of the pandemic.⁶³ With much of that relief expiring, workers and families can ill-afford further cuts to public programs and services--or an avoidable recession brought on by lawmakers politicizing the debt ceiling. Indeed, not only should many pandemic-era expansions be reinstated, but additional public investments—first and foremost, in the care economy—must be made so that our economy can reach its full potential.

That is why, particularly at this moment in time, calls to cut public spending at all, much less at the scale needed to balance the federal budget within a ten-year window, should be disregarded. Our priority should be supporting the well-being and economic security of women, households of color, and families with children, rather than preserving tax cuts for the wealthy and big corporations.

Conclusion

Families are struggling to pay bills, to care for themselves and their loved ones, and to afford the basics – with women, households of color, and families with low incomes shouldering the heaviest burdens in the wake of the pandemic and policymakers’ failure to make much-needed public investments. But we can strengthen our economy and support broadly shared prosperity by making the tax code fairer and more progressive, and investing in our people, following the successful model of the Inflation Reduction Act.

Today, the path forward for the Congress is clear: Raise the debt ceiling, without spending cuts or other conditions; raise additional revenues through fairer and more progressive tax policies; and protect IRS funding.

⁶¹ Julie Vogtman & Jasmine Tucker, “When Hard Work Is Not Enough” (National Women’s Law Center, April 2020), <https://nwlc.org/resource/when-hard-work-is-not-enough-women-in-low-paid-jobs/>; U.S. Department of Labor, “Bearing the Cost,” (March 15, 2022), <https://www.dol.gov/sites/dolgov/files/WB/media/BearingTheCostReport.pdf>.

⁶² Amy Matsui, Katherine Menefee & Amy Royce, “Advancing Gender and Racial Equity by Taxing Wealth” (National Women’s Law Center, April 2022), <https://nwlc.org/wp-content/uploads/2022/04/NWLC-4.-Advancing-Gender-And-Racial-Equity-By-Taxing-Wealth.pdf>.

⁶³ Shengwei Sun, “National Snapshot: Poverty Among Women and Families” (National Women’s Law Center, Jan. 2023), https://nwlc.org/wp-content/uploads/2023/02/2023_nwlc_PovertySnapshot-converted.pdf.