



**National  
Urban League**

*Empowering Communities.  
Changing Lives.*

**Testimony Before the  
United States Senate Committee on Banking, Housing, and Urban Affairs  
Economic Policy Subcommittee**

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**Introduction**

Chair Warren, Ranking Member Kennedy, and Members of the Subcommittee: Thank you for the invitation to testify about the urgent need for a tax policy that works for all Americans, particularly low- and moderate-income individuals.

My name is Marc Morial and I serve as President and CEO of the National Urban League, an organization that has been uplifting and empowering Americans since its founding in 1910. I am also a former Mayor of New Orleans, Louisiana.

The National Urban League is a historic civil rights organization and since our founding, we have been dedicated to efforts to guarantee equality, social justice, and inspire economic empowerment. We collaborate at the national and local levels with community leaders, policymakers, and corporate partners to elevate the standards of living for African Americans and other historically underserved populations.

For example, through our affiliate network of 92 Urban League affiliates in 36 states and the District of Columbia, the Urban League spearheads the development of social programs and authoritative public policy research, and advocates for policies and services that close the equality gap. At the community level, the Urban League and its affiliates provide direct services that improve the lives of four million people annually, and we promote economic empowerment through education and job training, housing and community development, workforce development, entrepreneurship, health, and quality of life.

The National Urban League stands here today to call for a new approach, a bold, comprehensive and equitable plan to lift undercapitalized communities out of poverty and stimulate their economic growth. One that helps hardworking Americans and their families to advance the **National Urban League's Main Street Tax Initiative**, which I will introduce to the distinguished Members of the Subcommittee during my testimony, today, and in addition, legislation that prioritizes equity and meaningful opportunities for low- and moderate-income Americans that starts with extending, expanding, and/or making permanent several important tax provisions impacting hardworking Americans, their communities, and small businesses.

## **NATIONAL URBAN LEAGUE'S MAIN STREET TAX INITIATIVE**

### **Background**

In 2017, the Tax Cuts and Jobs Act (TCJA) was enacted with the goal to cut taxes, lower rates, and provide tax relief for Americans, however the provisions providing direct tax relief to individuals and their families were not permanent and within this group, the top earners experienced the most substantial benefit of the tax cuts for individuals. Against this backdrop, as many of the TCJA tax code changes set to expire at the end of 2025, the National Urban League proposes a ten-point plan called the **Main Street Tax Initiative**, which, if enacted, would ensure that the tax code promotes economic opportunity and growth for all Americans. Amongst other things, this proposal includes making permanent the expanded Child Tax Credit (CTC) and Earned Income Tax Credit (EITC), restoring the State and Local Tax (SALT) deduction, and increasing support for first-time homebuyers and small business owners in undercapitalized communities. Additionally, the National Urban League calls for reforms that address systemic inequities in the tax system, such as targeted incentives to close the racial wealth gap and enhanced tax benefits for affordable housing development and community investment. Together, these measures aim to uplift families, empower communities, and foster long-term economic prosperity for all Americans.

### **Ten-Point Plan**

#### **1. Create Direct Tax Cuts and Incentives to Support Low- and Moderate-Income Workers**

The National Urban League advocates for making new investments that prioritize low- and moderate-income workers by providing transformative tax reform that includes a 50% direct income tax cut for Americans earning less than \$100,000 annually, a policy that would benefit approximately 60% of the U.S. population. This bold initiative aims to put significant financial relief directly into the pockets of those who need it most, creating a more equitable and sustainable economic foundation for our nation. In addition, more targeted tax incentives for lower-income Americans provide real relief that strengthens communities, as compared to deductions for mortgage interest, college savings, and retirement accounts, which disproportionately benefit wealthier Americans. Finally, we are urging Congress to equalize the tax rates on wealth and work. For example, capital gains that are profits from investments are taxed at a far lower rate than wages earned by working people, and we are asking Congress to create a tax system that equitably helps more low- and moderate-income American families and communities build economic security.

#### **2. Make Permanent the New Markets Tax Credit Provision**

Historically, low-income communities experience a lack of investment, as evidenced by vacant commercial properties, outdated manufacturing facilities, and inadequate access to education and healthcare service providers.

The New Market Tax Credit (NMTC) program, which attracts private capital into low-income communities by permitting investors to receive a tax credit against their federal income tax in exchange for making investments into a Community Development Enterprise. The NMTC program was originally authorized in 2000 and has been extended by Congress eight times since. These extensions, along with the original NMTC legislation, have enjoyed bipartisan and bicameral support over the past two decades. Since its inception, the NMTC program has provided billions of dollars to organizations that help rebuild economically distressed communities and has created more than a million jobs.

In addition, during a July 2024 Senate Finance Committee Hearing, “Tax Tools for Local Economic Development,” Chairman Ron Wyden stated “all 50 states have benefitted from the New Markets Tax Credit. It has helped get thousands of projects off the ground. Health care and manufacturing facilities. Child care centers and schools. Retail developments and housing, including lots of affordable units.” And during the same Hearing, Ranking Member Mike Crapo stated that, in his state, a new primary care facility opened that will serve a more rural part of his state and was made possible due to a New Markets Tax Credit investment. In addition, both Senators indicated their support for bipartisan legislation introduced by Senators Cardin and Daines to permanently extend the New Markets Tax Credit.

The current extension of the NMTC program expires next year, however, the program is needed, especially in today’s uncertain economy, because corporations are looking to attract capital to underserved communities to revitalize neighborhoods, offer employment opportunities, and jump-start small businesses. The National Urban League is strongly urging Congress to extend the NMTC program to attract the investment necessary to reinvigorate and grow struggling disadvantaged communities.

### **3. Expand the Low-Income Housing Tax Credit: Promoting Housing Affordability**

Affordable housing remains an urgent need and with a critical nationwide shortage of affordable housing units, makes it extremely difficult for American families to purchase or rent a home. The National Urban League is advocating for the expansion of existing tax incentives like the Low-Income Housing Tax Credit (the LIHTC or Housing Tax Credit), which would support the creation of affordable housing units in all parts of the country, provide stability for working families, help to address significant housing needs, and contribute to closing the homeownership gap. For almost 40 years, the Housing Tax Credit has played an important role in supporting new multifamily housing construction and has reduced housing costs for millions of families. The Housing Tax Credit can continue to help increase the housing supply and with Congress’ support, expansion of the credit could provide affordable housing for many more families in need during our country’s housing affordability crisis.

### **4. Create an Affordable Housing Tax Credit for the Construction of New Homes**

The National Urban League is strongly urging Congress to continue building upon federal government efforts to address the housing supply needs and also to invest more directly to spur investment in affordable housing construction.

As examples, the federal government could increase available tax credits for LIHTC and funding for other affordable housing subsidy programs, which some researchers contend could be achieved by boosting funding for the U.S. Department of Housing and Urban Development’s existing programs that support LIHTC, such as HOME Investment Partnerships Program. In addition, several states and localities are considering implementing new social housing programs that could develop projects independently of the private market, and the federal government could invest in those initiatives as a complement to LIHTC. These are only a couple of strategies that could accelerate government-supported production of affordable rental units and help more people with low incomes access stable housing.

### **5. Restore the State and Local Tax Deduction**

The State and Local Tax (SALT) deduction, which has been around over 100 years and was originally more expansive, is for taxpayers who itemize deductions on their tax return. Currently,

the SALT deduction allows taxpayers to subtract a portion of their state and local property taxes, income taxes, and/or sales taxes from their federal taxable income. TCJA limited the SALT deduction to \$10,000 (cap); however, if Congress allows the SALT cap to expire next year, taxpayers may claim the SALT deduction again, beginning in 2026, but some may find their itemized deductions will be less than TCJA's higher standard deduction. The National Urban League supports Congress allowing the SALT cap deduction to expire as scheduled next year along with a plan to offset the costs of restoring the deduction.

## **6. Extend and Expand the Child Tax Credit and Earned Income Tax Credit**

Our first priority must be to expand tax credits that uplift working families. This includes extending and making permanent the expansion of the Child Tax Credit (CTC). A robust Child Tax Credit can drastically reduce child poverty, lifting up the next generation and contributing to stronger communities and a healthier economy overall. As an example, after the CTC was further expanded in 2021 during the pandemic, U.S. Census data showed that the CTC expansion significantly decreased the number of children experiencing poverty across several race and Hispanic origin groups, specifically—1 million children under 6, and 1.9 million children between the ages of 6 and 17.

The TCJA did not make any direct changes to the Earned Income Tax Credit (EITC), however, the TCJA uses a permanent, new, more conservative measure of inflation to index its parameters and indirectly affected the EITC's value so that EITC benefits would grow more slowly in future years. The EITC has a proven track record of reducing poverty, particularly in Black and Latino communities and the National Urban League urges Members of Congress to reverse this permanent change, which can help offer millions of families a stronger foothold to achieve economic stability in the future.

## **7. Establish the 'Fair Deal for America Tax'**

To help offset the tax incentive benefits that I have testified about today, the National Urban League proposes the creation of the 'Fair Deal for America Tax', a targeted initiative designed to address wealth concentration inequities and ensure a more balanced contribution to the nation's revenue base. This tax would also take meaningful steps towards closing the racial wealth gap by enabling equitable investments across all economic levels.

Under the 'Fair Deal for America Tax', ultra-wealthy individuals – those with assets surpassing \$1 billion – would pay a modest surtax. Importantly, this tax would apply to an extremely small group of individuals. As of 2023, only 770 individuals in the United States had assets surpassing \$1 billion. The number of people that this tax would apply is fewer than the number of fans attending a Washington Commanders football game on any given Sunday. Despite its limited scope, this tax has the potential to generate substantial revenue that can be reinvested into programs supporting low- and middle-income families, promoting greater economic equity and opportunity nationwide.

As an example, according to the Tax Policy Center, most federal revenues are collected from wages, which are paid primarily to low- and middle-income families, face heavier taxation than capital income, which generally goes mainly to high-income families. Moreover, payroll taxes account for 33% of federal revenues and are imposed solely on wages.

In addition, the Federal Reserve Bank of St. Louis examined the challenges facing vulnerable workers in 2023 and the opportunities that more equitable participation in the economy may provide. It concluded that “greater wealth equity could help mitigate economic declines and boost the economy during expansions. During an economic contraction, more financially stable

families would have funds to fall back on if facing a job loss or a decline in asset values. This means that many families wouldn't need to heavily rely on the support provided by the public safety net (e.g., unemployment insurance). During times of expansion, greater wealth equity could drive consumption (via the wealth effect) and investment even higher, thus boosting economic growth."

However, the Federal Reserve Bank further stated that "to achieve greater wealth equity, many families need greater capacity to build savings and access to sustainable asset ownership (e.g., homeownership, tax-advantaged retirement accounts). Additionally, addressing inequities in wealth outcomes could lead to more opportunities for families of different demographic groups to invest in their futures and thrive."

## **8. Extend or Make Permanent the Standard Deduction**

Many working families have also expressed frustration about high prices for housing, groceries and other necessities and are struggling to meet basic needs. The National Urban League is advocating on their behalf and urging Congress to support extending or making permanent the standard deduction increase, which helped many hardworking families by reducing the amount of tax they owed. If Congress allows the standard deduction increase to expire next year, it will likely result in a tax increase for many low- and moderate-income Americans who have made it clear that they do not have enough money to pay their monthly bills and buy what they need for themselves and their families. Further, the increased standard deduction makes itemizing not as beneficial for many tax filers, which represents another important benefit of the change.

## **9. Incentivizing Corporate Investment in Certain Stressed and Rural Communities**

The National Urban League supports extending the TCJA Qualified Opportunity Zone deferral provision that is set to expire next year and is strongly urging Congress to review and consider any necessary reform measures, including reporting requirements that would help to give necessary information on the community benefits of Opportunity Zones to ensure the legislation is accomplishing what the law intended, and that is to use investments for projects and businesses that meet the community's needs and produce significant economic and social benefits, while encouraging economic development, job creation, and a positive economic impact specifically to certain stressed communities and rural parts of the U.S. and its territories. These communities, as you know, are generally low-income and undercapitalized communities. Reform measures and reporting requirements would show if the underserved communities initially targeted for assistance by the incentive are, in fact, receiving investment.

The goal of Opportunity Zone tax provision is to encourage long-term investment in these communities by providing tax incentives for new investment. If the Opportunity Zone provision is not extended, these communities could see a decrease in economic growth. The National Urban League is advocating for extension of the Opportunity Zone deferral provision that includes necessary reform measures, and we stand ready to assist Congress and states to ensure the legislative intent of the tax provision is carried out, effectively.

## **10. Prioritize Small Business Growth**

Small businesses, as we know, are crucial to our economy, the backbone of many communities and according to the Department of Labor, employ nearly half of all U.S. workers and comprise more than 99% of businesses. Further, small business ownership can be an important step to economic empowerment because it allows hardworking Americans to control their own income,

create jobs, and achieve financial independence, especially for those who might face barriers in traditional employment markets.

The TCJA included important tax provisions that affect small business taxpayers and their owners. For many small business owners, the qualified business income (QBI) deduction (Section 199A) under the TCJA has been an essential tool for supporting these businesses, allowing eligible owners to deduct up to 20% of their income. However, the deduction is set to expire, potentially undermining small business growth unless Congress acts.

While the National Urban League supports extending the QBI deduction, we urge Congress to address its significant distributional inequities. Researchers have found that the top 1.5% of tax filers (AGI over \$500,000) claimed more than half of all QBI deductions in 2021, while filers with AGIs under \$100,000—51% of claimants—received average deductions of only \$1,997. Meanwhile, those earning \$10 million or more averaged over \$1 million in deductions.

To ensure the QBI deduction better serves small businesses in underserved communities, Congress must pair its extension with reforms to reduce abuse, encourage reinvestment in business growth, and align tax benefits more equitably across income levels. This approach will strengthen small businesses as engines of economic opportunity and empowerment for all communities.

## **Conclusion**

In closing, according to a recent Pew Research Center (Center) finding published in April 2024, most Americans feel that corporations and wealthy people don't pay their fair share in taxes. And, about six-in-ten U.S. adults said they're bothered a lot by the feeling that some corporations (61%) and some wealthy people (60%) don't pay their fair share.

Our tax system must reflect our values as a nation and the goal of any tax reform should be to improve incentives for Americans to work, take care of their families, and be able to save to achieve economic security. We have a chance to create a tax system that provides true relief to low- and moderate-income Americans, ensures all Americans pay their fair share, and encourages businesses to invest directly in our underserved communities.

This is a pivotal moment to reshape our tax policy for a fairer and more prosperous America for all. The recommendations in the National Urban League's Main Street Tax Initiative offer a transformative path toward ensuring that every American can realize the promise of the American dream.

Thank you, and I look forward to your questions.