Fifty Years of ‘Cut To Grow’: How Changing Narratives around Corporate Tax Policy Have Undermined Child and Family Well-Being

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Introduction

The United States corporate income tax has been a force for over a century, but in just the last few years it has become one of the most hot-button issues in US politics. The most recent tax reform effort, the Tax Cuts and Jobs Act of 2017 (TCJA), provided a dramatic cut in the corporate tax rate, the elimination of its graduated nature, and many other provisions favoring large corporations and business entities. The Inflation Reduction Act (IRA) of 2022 attempted to reverse some of these provisions by adding a corporate alternative minimum tax (AMT) based on financial reporting by the largest corporations. And a case before the Supreme Court at the time of writing (*Moore v. United States*) centers on the constitutional meaning of income in a corporate tax provision enacted in the TCJA.

In 2025, many of the central provisions of the TCJA will expire, opening up a significant opportunity for corporate tax reform that improves the lives and well-being of families and children. Though raising taxes on corporations is historically popular, current political discourse around the real opportunity for tax reform in 2025 tends to sell the potential of the corporate tax short.[1] The debates over the corporate tax tend to focus, principally, on political opportunities for minimal changes to the law without addressing the crucial importance of the corporate tax in our economy and society. As a tax instrument, the corporate tax has two major goals: to tax the capital income that overwhelmingly flows to the wealthiest households and would otherwise go largely untaxed, and to tax the economic resources available to corporate managers thereby reducing the power of and restricting any potentially harmful activities of corporate management (Avi-Yonah 2004; Clausing 2023). Thus, beyond raising revenue and regulating industries, the corporate tax can help rebalance power in the economy in favor of workers and consumers relative to (disproportionately white) shareholders and business executives.

Historically, there have been two narratives surrounding the corporate tax, each competing for dominance in the cultural and political discourse. From the early 20th century through the 1960s, the predominant narrative on tax reform was that it should be levied to both raise revenue *and* structure markets. This mentality is evidenced by federal policy of the time. The corporate tax rate was gradually raised from 1 percent (in 1909 when it was first established) to 52.8 percent in 1968, when it accounted for over 25 percent of total federal revenues. During this era, the corporate tax was structured to ensure that it reached wealthy shareholders by, for example, eliminating an exemption for dividends (as the US did in the 1930s) to taxing dividends at the full ordinary income rate (which it did for many years during and following the Great Depression and World War II, at rates as high as 94 percent). Such high rates required enacting a slew of complementary provisions to prevent shareholders from attempting to avoid the full taxation of dividends by converting them to capital gains taxed at a much lower rate.

However, around the 1970s, the dominant narrative on corporate taxation came to be replaced by one that espoused a “cut-to-grow” mentality. Under this view, the thinking went, it was necessary to reduce the corporate tax rate to grow the economy—and that this growth would allow gains to eventually “trickle down” from the rich shareholders to the middle class. During this time, the corporate tax rate was gradually reduced to 35 percent before it was dramatically cut to 21 percent in 2017. These cuts resulted in corporate tax revenues falling to less than 10 percent of total federal revenues. At the same time, various tax credits (like the investment tax credits), deductions (like accelerated depreciation and expensing), and the rapid increase of corporate profit shifting exclusively benefited business entities and their wealthy executives

1 For instance see (Campbell 2009; Thorndike 2021; Gallup, Inc. n.d.).

and shareholders. By 2022, an AMT as low as 15 percent was estimated to *raise* more than $200 billion because most large corporations were paying *less than that* on their financial income (Jane G. Gravelle 2023). This proposal has been enthusiastically resisted by corporate owners and executives.

At the same time, as these corporate tax narratives dueled for dominance, the role of government was reconceptualized from providing resources and opportunities for child and family well-being—with the corporate tax as one component of that larger federal effort that includes individual income taxation—toward the market-friendly view that the state's role in the private sector should be supplanted by the "private family as an economic institution," which came to be embodied by the "family businesses" that tend to incorporate as (undertaxed) pass-throughs and often rely on the unpaid labor of female family members (Cooper 2017; Cooper 2022). This mentality functionally calls for a much less active federal apparatus in favor of passive government, serving to monitor (but seldom intervene in) the free market or American families' ability to access the opportunities it naturally provides them. With this view, the federal government doesn't need to exercise a strong taxing authority because it also doesn't need to—and, indeed should not—provide and administer a robust safety net for its citizens. Following this logic, the government should aim to reduce both tax burdens on business entities and their wealthy owners and operators *and* reduce spending on the public services tax revenues help enable. The result, which has largely borne out in economic and social policymaking of the last several decades, is *increased* relative tax burdens on low- and middle-income households and *decreased* ability of those (often Black, brown, and/or nontraditional) families to receive the direct public assistance on which they disproportionately rely.

This report is the final of two from the Roosevelt Institute analyzing the intersection of corporate taxation and child and family well-being policy. The first, titled *A Mapping of the Full Potential of US Corporate Taxation to Enhance Child and Family Well-Being*, aims to establish a holistic framework for assessing the corporate tax through its capacity to raise revenue for public services, balance out unequal distributions of economic resources, regulate economic activity, and, more broadly, build public trust in democracy (DiVito and Lusiani 2024). In it, DiVito and Lusiani demonstrate that, even beyond its revenue-raising potential, strong corporate tax policy is vital to all aspects of a thriving economy—and critical to the well-being of children and families, investment in which is woefully inadequate.

What follows in this report is an assessment, though not exhaustive, of the central worldviews and set of assumptions driving key US corporate tax reform moments in history—and their consequences for the well-being of children and families in the US. Though political narratives of all kinds are never cleanly chronological (and this remains true of those pertaining to corporate taxation and well-being policies), we aim to build on existing understanding of how dominant narratives come to be and how they, to the extent that they do, drive corporate tax policy outcomes in the US. Looking back over the past 50 years of corporate tax reforms demonstrates just how entrenched the neoliberal narrative around tax cuts has become in policymaking. The supremacy of a "cut-to-grow" mentality has made it difficult for a more expansive, progressive vision of tax reform to break through—contributing to a decades-long stalemate in efforts toward real comprehensive corporate tax reform and hindering the government's ability to make needed investments in child and family well-being policy. As such, this paper concludes with reflections on the political economy of taxing corporations, and how a more holistic understanding of the revenue and regulatory roles, in particular, of corporate tax policy might help us overcome what has become a 40-year stalemate in efforts toward real reform.

The New Deal Era of Corporate Tax: A Tool for Raising Revenue *and* Restructuring Markets

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The US first enacted a corporate income tax in 1909. Imposed at a time when income taxation on individuals was considered constitutionally unsound, the corporate tax was designed to be a regulatory tool and functioned as an excise tax on the privilege of operating in corporate form.[2] After decades of growing corporate power and rising corporate abuses in the 19th century, the corporate tax was conceived of as an (indirect) way of taxing wealthy shareholders *and* of checking the power of the era's underregulated monopolies that had overtaken the US economy at the expense of workers and consumers (Kornhauser 1990; Avi-Yonah 2007; Avi-Yonah 2020c). Coinciding as its creation did with the Progressive Era, the corporate tax included several transparency requirements as a way of shining light on corporate behavior. Along with its revenue-raising function, the corporate tax would, according to President William Howard Taft, provide the government "supervisory control" to prevent "further abuse of power" by corporations, as well as to ensure they pay for the various privileges of doing business (Weisman 2004).

What would become the framework of the modern US tax regime emerged years later in response to two severe crises: the Great Depression and World War II (Thorndike 2013). When President Franklin D. Roosevelt (FDR) took office in March of 1933, several years after the Great Depression tanked the US economy and put millions out of work, the federal government began to leverage the full weight of the US tax code to conduct affirmative tax policymaking with the explicit aim of restructuring a broken free-market and raising revenue to redistribute through vastly expanded public-interest programs and services. Roosevelt immediately displayed an eagerness to utilize the full power of the federal government to intervene in the country's lingering economic depression.

Tax was one tool FDR saw available to him—and he used it. FDR saw strengthening the corporate tax (as well as the individual income tax) as a way to enable the state to provide for a stronger welfare system *and* as a way to weaken the large concentrations of wealth and power that had helped plunge the country into the worst financial crisis in US history and had inhibited broad social prosperity. In a 1935 message to Congress, FDR argued that accumulations of wealth meant "great and undesirable concentration of control in relatively few individuals over the employment and welfare of many, many others" (Roosevelt 1935; Brownlee 2002). The 1935 Revenue Act (popularly referred to contemporaneously as the "soak-the-rich tax bill") increased the top marginal individual income tax rate to 77 percent, imposed a more progressive structure on the estate tax, created a graduated tax on corporations, and taxed dividends in full (Avi-Yonah 2002). These provisions meant that the largest, most profitable corporations paid higher tax rates while their shareholders had more difficulty escaping taxation by shifting the burden of corporate taxation onto workers (through lower wages) and consumers (through higher prices).

2 Until the 16th amendment in 1913 allowed for income taxation without apportionment, direct taxation was considered unconstitutional per prior Supreme Court ruling.

More than the sum of its parts, FDR's tax policies were central to his vision of curbing concentrated markets and the economic inequality they inherently produced. Speaking to Congress in 1938, FDR argued that democracy itself—much less the economic conditions that generate broad prosperity like robust employment—is in jeopardy when the private sector is allowed to amass power and market control unchecked. He said:

> . . . [T]he liberty of a democracy is not safe if its business system does not provide employment and produce and distribute goods in such a way as to sustain an acceptable standard of living. . . . This concentration [of private power] is seriously impairing the economic effectiveness of private enterprise as a way of providing employment for labor and capital and as a way of assuring a more equitable distribution of income and earnings among the people of the nation as a whole. (Roosevelt 1938)

Echoing his trust-busting predecessors, FDR concluded that "tax policies should be devised to give affirmative encouragement to competitive enterprise" (Roosevelt 1938).

The Roosevelt administration ushered in another series of tax reforms in the early 1940s as war loomed. Debating how to pay for what would be a costly war effort, US policymakers soon coalesced around increases to income taxation—both individual and corporate—as a new revenue source to fund a potential war effort (Thorndike 2022). In the first year of the US's involvement in the war, the federal government increased individual and corporate income tax rates to their highest levels yet *and* expanded the tax base. On the individual income side, what was once a tax disproportionately borne by the wealthy now redounded to millions of other households: The "class tax" became a "mass tax" (Thorndike 2022). The corporate income tax increases weren't as extreme. Many in Congress were wary of tinkering with it in hope that the private sector would serve as a landing spot for the thousands of GIs who would eventually return from abroad (Thorndike 2022).

The new wartime-expanded tax base now paid their taxes in more visible ways, too, which helped form a public constituency around tax reform that shaped the politics of taxation for decades to come. The Current Tax Payment Act of 1943 established paycheck withholding, creating a tether between workers and their government: Workers now saw evidence of their tax burden (and their responsibility as fiscal citizens) whenever they received a paycheck (Internal Revenue Service 2023).[3] Though tax policy debates had always been relatively combative, there was now a much larger constituency that had a direct, personal stake in the matter that was primed to be enthusiastic and organized in the face of reform it perceived as unfavorable (Thorndike 2022). Even so, elements of the wartime fiscal regime long outlasted the conflict. Income taxes levied at relatively high rates and on an expanded base served as the foundation for the post-war federal government, including many of the well-being and anti-poverty programs of the 1960s' Great Society (Thorndike 2022).

Simultaneously, the Roosevelt administration and child and family welfare advocates leveraged the financial crises of the era and the new revenue tools of expanded tax policy to extend—and in some cases create—more robust government protections for vulnerable populations. The New Deal era's programming offered new services for the elderly, children, and low-income families, including Social Security and Aid to Dependent Children (ADC), which have served as the basis of the modern social safety net.[4]

3 Public opinion on these taxes was fairly high at the time. Income taxation was a relatively new instrument and hadn't yet been politicized along partisan lines. But the government played an active role shaping public opinion, too. For instance, the Treasury Department commissioned popular lyricist Irving Berlin to write a song called "I Paid My Income Tax Today" (Zelizer 2001).

4 Aid to Dependent Children was established with the Social Security Act of 1935. It was renamed Aid to Families with Dependent Children (AFDC) in 1962.

But while the New Deal was expansive, it was incomplete. Though ADC and many other New Deal programs relied on the purportedly gender- and race-neutral metrics like employment status, outcomes tended to mirror the racialized and gendered social order of the day (Cooper 2017; Walker 2019; Johnson 2020). And though, like with the creation of ADC, the New Deal established a stronger practice of state intervention in aid of children and families, it also reflected preexisting values about the types of family that should be entitled to government assistance.[5] In the case of ADC, traditional notions of marriage and family combined with rising segregationist sentiment in Congress to create vastly disparate outcomes between certain families and their children.[6] Between 1937 and 1940, Black families accounted for *at most* 17 percent of ADC beneficiaries nationwide, despite persistently high levels of poverty in Black communities (Floyd et al. 2021).

Though flawed, the economic and fiscal changes the New Deal brought were adored by the public and shook the status quo. Key New Deal programs like Social Security immediately polled as high as 89 percent approval, and helped form the basis of a "New Deal Coalition" amongst left-leaning voters, labor unions, blue-collar workers, and racial and religious minorities that gave Democrats majorities in Congress and/or the White House through the 1960s with few exceptions (Ladd n.d.; PBS n.d.). Moreover, high individual income and corporate tax rates helped, along with New Deal-expanded wage and labor laws, usher in a dramatic redistribution of economic resources from the wealthy to low- and middle-income families and workers (Gerstle 2022). As such, capital interests, including wealthy households and business owners, were outraged at the New Deal's scope—and the progress toward economic equality that it foretold.

Both Presidents Harry Truman and Dwight Eisenhower remained supportive of using progressive taxation as a regulatory tool. Eisenhower, in fact, enjoyed Republican majorities for his first two years in office and did not use that majority to dismantle Roosevelt's individual or corporate tax increases.[7] It wasn't until President John F. Kennedy, inheriting a strong post-war economy and still-high tax rates, that tax cuts became a major political issue again. Kennedy, convinced of the need for Keynesian corporate tax cuts to stimulate the economy, declared the high tax system he inherited was "a drag on economic recovery and growth" (Weisman 2004). But he was assassinated before he could institutionalize broad cuts. When Lyndon B. Johnson (LBJ) took office after Kennedy's death, he immediately set about following through on two of Kennedy's promises—the Kennedy tax bill and a civil rights bill—as a way of uniting the country around him as its new executive (Caro 2012). Knowing segregationists in Congress would hold any tax bill hostage to ensure a civil rights bill failed, LBJ persuaded Harry Byrd, the conservative Democratic chair of the Senate Finance Committee, to pass a tax bill that, while watered down from Kennedy's original vision, still reduced individual and corporate tax rates (Caro 2012; Konczal 2021). The resultant Revenue Act of 1964 reflected the thinking of many of the economists in charge of federal tax policy in the early 1960s—including Stanley Surrey and Richard Musgrave, who believed in progressive taxation, but had come to advocate for cutting rates while broadening the tax base to include more individuals in the overall pool of taxpayers (Lowndes 1964). The bill also eliminated many of the deductions that primarily benefited the rich and offered investment tax credits to encourage private investment, thereby regulating some corporate behavior (Lowndes 1964).

5 In the US, the concept of aid to children and families largely originates with the "maternalist" reformers of the late 18th and early 19th centuries. These advocates, primarily white middle-class women, sought compensation for the wives and children widowed and made fatherless by the dangerous working conditions of the rapidly industrializing US. Though the reformers helped codify a relationship of responsibility between the state and family welfare and achieved notable policy reforms, their success also locked in a definition of family deservedness of state aid that was predicated on whiteness as well as on traditional notions of domestic motherhood (Chappel 2017; Jabour 2021; Floyd et al. 2021).

6 Southern members of Congress insisted that states be allowed to set ADC eligibility and benefit levels, which allowed segregationist southern states, in particular, to prevent many otherwise-eligible Black and brown families from accessing benefits (Floyd et al. 2021). In the post-war years, as more white widows were eligible for Social Security benefits, Black mothers and children came to represent a relatively larger share of ADC beneficiaries. State legislatures began implementing "suitable home" (or "man-in-the-house") laws to prevent Black ADC uptake. These racist laws, which were intended to cut aid to families if the mother cohabitated with a man who was not the children's father, often specifically targeted Black women and families (O'Neill Murray and Gesiriech 2004).

7 Eisenhower himself was a fiscal conservative who didn't want to toy with revenue-raising mechanisms (Eisenhower 1953; Marotta 2013).

LBJ wasn't particularly interested in tax reform for its own sake, but he *was* determined to make legislative progress on poverty alleviation. For much of his presidency, LBJ insisted that the US could have both "guns" and "butter" (i.e., military spending for the war in Vietnam that intensified during his administration *and* his "Great Society" domestic agenda that provided for critical child and family well-being programs included the creation of Medicaid, Medicare, and Head Start) without significant tax increases (Germany n.d.). For the first half of the 1960s, that was possible. A period of steady economic growth kept federal revenues buoyant enough to meet increased domestic investments. But by 1965, with military expenditures racking up and inflation rising, LBJ's advisors began urging him to develop "fiscal restraint" policies—like spending cuts or tax hikes (Thorndike 2023). He finally relented in 1967, asking Congress to pass a (temporary) "surcharge" on individual and corporate income taxes (Thorndike 2023).

The "cut-to-grow" narrative that started to ascend under the Kennedy administration set the stage toward unwinding the Progressive and New Deal legacy on corporate taxation. Even LBJ, whose ambitious vision for one of the most comprehensive and interventionist domestic welfare programs in US history, was reluctant to use increased taxes to fund it. The seeds for a new, anti-tax-and-spend paradigm to dominate were laid in the 1970s—when a combination of political, economic, and social factors helped cement a distinctly regressive mentality on tax reform.

The “Cut-to-Grow” Ethos: Trickle-Down Economics, Societal Fearmongering, and Reduced Taxation Dismantles Well-Being Programming

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The 1970s: Reagan Ascendant

The anti-tax-and-spend narratives that came to dominate public and political discourse in the 1980s were set into motion in the decades prior. The 1960s' expanded welfare state and grassroots challenges to the nuclear family and traditional gender norms (from, for instance, the feminist and gay rights movements) gave rise to a backlash in the 1970s out of which arose a new generation of social conservatives (Cooper 2017; Chappel 2017). As inflation steadily rose in the 1970s, households were pushed into higher income brackets. This dynamic—called "bracket creep"—fueled rising opposition to taxation, which worsened as inflation did throughout the 1970s (Campbell 2009; Prasad 2012). Growing dissatisfaction with the macroeconomy coincided with President Richard Nixon's adoption of the Republican Party's electoral victory blueprint, the "Southern Strategy," which used coded language to appeal to white voters' racist attitudes. Its success ushered in a national political realignment and a new era of fiscal policymaking (Perlstein 2009; Maxwell 2019). Nixon, wielding this strategy expertly, helped set into motion a narrative shift about welfare reform, in particular, that would come to rationalize steep cuts and stringent limitations. As the *New York Times*, covering a 1971 speech Nixon gave on welfare reform, described:

> Unlike some critics of the present welfare program, [Nixon] did not use the words "welfare chiselers," but his meaning was the same. . . . Under the present system, Mr. Nixon said, a person on welfare may receive more than a neighbor with a job—which, he said, leads the working man to "give up the job, go on welfare; everyone else is at the trough, why not me, too?" (New York Times 1971).

With this, Nixon propagated the idea that beneficiaries are fraudulent and intentionally abusing the opportunity to receive government assistance. Moreover, he leverages a coded argument of "fairness" that pits people against others in their community. While Nixon wouldn't achieve broad welfare reform in his administration, his successors would adopt a similar rhetorical playbook to make drastic cuts.[8]

8 While Nixon's proposal for welfare reform, the Family Assistance Plan (FAP) was flawed, it outlined a minimum basic income for eligible households that would have established something similar to the Earned Income Tax Credit (EITC) (Nixon 1969; Floyd et al. 2021).

Perhaps the most notorious example of how changing sentiment during the 1970s impacted tax policymaking is California's adoption of Proposition 13, which amended the California constitution to severely restrict increases of property taxes (used by most jurisdictions to fund public education). The Proposition 13 fight highlights how aggressively economic conservatives adopted taxation as their new bugaboo in the years leading up to the Reagan administration. In the mid-1970s, conservative political activists in California launched a national "tax revolt" via a ballot initiative—Proposition 13—to cap property taxes for households and businesses (Christopher 2020). Proposition 13 can be seen as, in part, a reaction against demographic and political changes: During the Watts riot, student protests, and other movement mass actions of the 1960s, Black and Latinx populations became more politically vocal in the state, unsettling many white property-owning residents (Pastor 2019; Strand and Mirkay 2020). Proposition 13's advocates sold it as a tax break that families, hard-hit by the stagflation of the 1970s, deserved; However, the state's largest corporations—large real estate owners—were some of the biggest winners. If only commercial properties were held to pre-1978 assessment levels, as much as an additional $10.2 billion would have been raised in 2020 alone (Ito et al. 2020).

Proposition 13 has been devastating for the families and children reliant on state-provided aid. As discussed in part one of this report series, the measure has resulted in dramatically reduced local revenues and relatively greater fees imposed on other residents to compensate for the loss of public funding. Within weeks of Proposition 13's passage, the then-assistant city manager of Oakland recalled that the city closed down four fire stations and eight libraries, and pared down museum hours as they began culling budgets in anticipation of dramatically reduced revenues (Levin n.d.). Despite its destructive impacts, anti-tax advocates saw Proposition 13 as replicable—and immediately tried to spread its playbook to other states.[9] Moreover, it helped anti-tax constituencies understand there was electoral success to be found in tax revolts (Block 2009).

Growing government disillusionment and increasingly mainstream and virulent backlash to the civil rights movement also formed the basis for interest in replacing corporate and individual income taxation with consumption taxes in the 1970s. While consumption taxes can make a certain kind of intuitive sense to taxpayers as they correspond to the usage of goods and services, they are notoriously regressive. Wealthy populations tend to consume a much smaller proportion of their income than do low-income households. And, if they're implemented in lieu of other forms of income taxation (which is how they're often discussed by advocates), they can drastically undermine the ability of the federal government to effectively target taxation on the wealthiest Americans and corporations.

In the late 1970s, the Gerald Ford administration's Treasury Department included a consumption tax as one of two proposals in his department's 1977 *Blueprints for Basic Tax Reform*. The other proposal in the *Blueprints* was an income tax reform that would broaden the base, but lower the rates (Simon et al. 1977). This approach proposed allowing corporations to deduct all expenses, thereby exempting the normal return to capital from taxation, and to tax wealthy individuals only on wages and not on dividends, interest, or capital gains (Simon et al. 1977). Ford's secretary of the Treasury, William E. Simon, framed the *Blueprints* as commonsense overhaul. In his estimation, these reforms would bring some much-needed simplicity to the tax code and thus foster greater taxpayer trust. He wrote:

> [In a recent speech to the Tax Foundation] I called for a fundamental overhaul of the U.S. tax system. I felt that I was speaking for millions of Americans who were fed up with the current tax system and wanted it replaced with one they could understand and trust. (Simon et al. 1977)

Though the *Blueprints* were not adopted wholescale, the subsequent Revenue Act of 1978 brought elements of the report's proposals to bear for the first time in what came to be a new era of tax policymaking. It reduced the individual income tax by widening brackets and reduced the number of different tax rates,

9 Including Massachusetts, Minnesota, and Oregon (Prasad 2012; Christopher 2020).

reduced corporate tax rates, and increased the capital gains exclusion from 50 percent to 60 percent (thereby reducing the overall effective tax rate on realized capital gains) (Tax Policy Center n.d). Wrapping up a "cut-to-grow" approach to tax reform—lowering rates, broadening the base, and oftentimes increasing ways for corporations and the wealthy to reduce their effective tax rates through added deductions and exemptions—in coded narratives about government trustworthiness would become a theme of the Reagan era.

The Reagan Years: The Rise of "Cut to Grow"

Perhaps more than any other, President Ronald Reagan leveraged mounting backlash to taxation and government spending to dramatically reduce both, regardless of the consequences to American families. Part of what made Reagan an effective policymaker was his ability to weave together "trickle-down economics" with narratives about family deservedness of government aid.[10] Reagan and his advisors were adherents of a classical, supply-side theory of economic growth. They argued that reducing corporate, marginal income, and capital gains tax rates would create sufficient incentives for businesses (and, thus, workers) to produce more goods and services to grow the economy (Konczal 2023). Under this ideology, corporate tax (the burden of which, the literature of the time held, fell overwhelmingly on the corporate entity) could hinder business growth and therefore must be minimized.[11] But Reagan did more than just popularize these ideas, legitimizing a specious economics that has plagued US fiscal policymaking for decades. He also turned the ideas into policy by strategically marrying so-called "Reaganomics" with racialized social narratives about government excess and/or family overindulgence. Reagan's approach—and his execution of it—has had incalculable ramifications for economic and tax policymaking in service of child and family well-being for generations.[12]

One of the narrative mechanisms through which Reagan successfully tied an economic theory predicated on reducing *everything* (i.e., spending, taxes, regulations) to societal fearmongering was through popularizing the idea of a balanced federal budget. The federal budget is composed of, in the simplest of terms, revenues (largely from taxes) and spending. Thus, the two primary ways to balance a budget, assuming spending is greater than revenues, is to either raise more revenue through higher taxation or reduce government spending. Reduced taxation was central to Reagan's platform—and the first priority of his administration, but he also paired it with reduced government spending to give the pretense of fiscal responsibility. The combined effect was a dramatic reduction both in direct spending on public-interest programs *and* in the government's underlying ability to raise enough revenues to sufficiently fund those programs in the first place.

Immediately upon assuming office, Reagan proposed "supply-side" tax cuts to solve two distinct issues he saw as problems: sluggish economic and business growth and society's (over)dependence on government welfare. Indeed as Reagan argued in a 1981 address to the nation just weeks after taking office, cutting spending was the way to reduce government dependency and would therefore create the economic conditions conducive to cutting taxes:

10 Reagan's stance against government spending dates back to at least 1964 when his "A Time for Choosing" speech, delivered on behalf of Republican Barry Goldwater's presidential campaign, launched him onto the national stage. In it, Reagan combines balanced budget arguments with fearmongering, asserting that "no nation has ever survived" the level of taxation Americans faced at the time (Reagan 1964).

11 Empirical understanding of the corporate tax burden has evolved over time. In the mid-20th century, most economic models still showed corporate tax incidence as falling almost entirely on capital. More recent models, which tend to hold more realistic economic assumptions, have found that some of the burden falls on labor but most on capital (see, for example, Harberger 1962; Jennifer C. Gravelle 2010; Tax Policy Center 2022). The changing power of labor unions and collective bargaining plays a large role, too.

12 It should be noted that the Reagan administration's social policies were also incredibly damaging to child and family well-being, including the racist War on Drugs, his devastating silence on the AIDS pandemic and gay rights, and his opposition to civil rights. And, abroad, the Reagan administration supported and supplied arms to regimes that committed heinous atrocities against their citizens, including women and children (see, for instance, Karnow 1989; Hersh 1992; Glass 2017; History.com 2020).

> Over the past decades we've talked of curtailing government spending so that we can then lower the tax burden. Sometimes we've even taken a run at doing that. But there were always those who told us that taxes couldn't be cut until spending was reduced. Well, you know, we can lecture our children about extravagance until we run out of voice and breath. Or we can cure their extravagance by simply reducing their allowance. It's time to recognize that we've come to a turning point. (Reagan 1981)

In a vacuum, it could follow that cutting spending would lead to reduced public program uptake—if only out of necessity. But, of course, federal policymaking isn't done in a vacuum. And it certainly *shouldn't* be done devoid of concerns for the people and families it most impacts. But here, too, Reagan had an answer. He very successfully leveraged individual instances of welfare abuse to cement the idea amongst the general public that their tax dollars were going to intentionally fraudulent individuals.

Long before he was president, Reagan invoked—originated, really—the myth of the "welfare queen" to cut government aid to children and families, as well as corporate and personal taxes. In his second failed campaign for president in 1976, Reagan singled out one woman, Linda Taylor, as the epitome of a welfare "cheat" who doesn't deserve federal aid and whose eligibility for such programs was emblematic of rampant fraud and government waste (New York Times 1976).[13] These narratives were—intentionally—heavily racialized (Nadasen 2007; Price et al. 2020; Floyd et al. 2021). Even when seldom mentioning race explicitly, Reagan knew what the welfare queen and other similar anecdotes conveyed to his white and wealthy base: that Black Americans were too lazy to work and too irresponsible to deserve the public benefits that should be reserved for more responsible (white) citizens.[14] No part of these narratives were true, but it didn't matter. They were powerful, helping to fuel a huge reduction in public benefits for poor, disproportionately Black and brown families.[15]

With this, Reagan was signposting which families he thought were worthy of government assistance—namely those which were traditional, two-parent, and often white. Leveraging family narratives had a partisan purpose, as well: the ability to blame social and economic challenges on his Democratic predecessors. Families, according to Reagan, were the "fundamental unit of American life" and the liberal policies and administrations of the previous decades had deteriorated the family unit and caused society's problems (Reagan 1986; Bauer et al. 1986).[16]

Other public figures of the era helped legitimize similar ideas to the populace. Charles Murray, in his controversial 1984 book *Losing Ground*, attributed recent years' increased welfare uptake to the deterioration of heterosexual marriage, feminist gains in women's economic and sexual independence, and a cultural devaluation of work (Murray 1984). To Murray, welfare trapped families in poverty—so the solution to poverty was to all but eliminate welfare.[17]

Having laid the groundwork in unsuccessful bids for the presidency and now bolstered by popular third parties, Reagan could activate his narratives into policies that cut spending *and* taxes. Elected president in 1980, Reagan slashed the federal budget in his first years in office, dramatically reducing or eliminating

13 Linda Taylor, the woman Reagan homed in on as inspiration for his "welfare queen," was born into immense poverty as a Black woman in America and suffered from untreated mental health issues as an adult. She most likely did perpetrate welfare fraud, but she was prosecuted multiple times in the late 1970s (Levin 2019). It was never true—or fair—to suggest her story was evidence of intentional welfare abuse on a large scale.

14 The majority of individuals receiving government assistance has always been white households. Benefit amounts are, if anything, too scant—not too lavish (Thompson 2018; Covert 2019).

15 These narratives are still disseminated today. Contemporary Republican politicians frequently ascribe blame for poverty and other societal ills to "lazy" individuals and use phony evidence that welfare beneficiaries live too lavishly to deserve government aid. They then use these claims as rationale to cut back on assistance programs (see, as just a few examples, Tumulty 2013; Volsky 2014; Landsbaum 2019; Bergh and Rosenbaum 2023).

16 Though Reagan was one of the most successful to leverage racialized family narratives into federal policy, he was not the first. Perhaps most famously, then-Assistant Secretary of Labor Daniel Patrick Moynihan issued "The Negro Family: The Case for National Action" in 1965. The so-called "Moynihan Report" situated racial inequality in terms of family structures. Moynihan himself was a one-time New Deal Democrat who seemed to legitimately seek new and better policies to address racialized economic inequality, but conservatives used the Moynihan Report to rationalize that inequality because of (often stereotypical) assumptions about the structure, stability, and morality of low-income and/or Black families (Geary 2015; Cooper 2017).

17 A 1985 *New York Times* op-ed on the influence of Losing Ground on that year's White House budget called the former "a budget-cutter's bible" (New York Times 1985).

funding vital for child and family wellbeing (Marx 2011).[18] These cuts, which impacted nearly all aspects of federal programming for families, including public education, food stamps, Aid to Families with Dependent Children (AFDC), and Medicaid, had a dramatically negative impact on well-being of the (predominantly low-income) families who relied on them (Danziger and Haveman n.d.; Harsch 1981; Rich 1982). In 1981, Reagan cut nearly $1.5 billion (or 25 percent) from $5.6 billion earmarked for child nutrition programs (Harsch 1981). Cuts to food stamps alone resulted in more than 3 million people losing their full eligibility (Rich 1982).

At the same time, the Reagan administration and Congress cut taxes for the wealthiest Americans and businesses. One of the Economic Recovery Tax Act (ERTA) of 1981's most pernicious provisions reduced corporate tax burdens by permitting businesses with losses to sell them to profitable firms, which could use those losses to eliminate their corporate tax liability. This reform led to such a sharp decline in federal tax revenue that it had to be repealed in 1982. But it taught Republicans that large-scale, federal tax cuts could be a popular political issue. For decades, opinion polls had shown strong and consistent opposition to deficits (often in conflict with the idea of reducing a revenue stream). Indeed, even business interests had been generally opposed to tax cuts out of concern that the cuts would worsen inflation and hurt their profitability (Prasad 2012). But businesses changed their minds for good once they received such generous treatment in the ERTA. In demonstrating the public appeal of tax cuts (even at the expense of rising deficits), the ERTA helped cement cutting taxes as the central domestic policy goal of the Republican Party for decades to come (Prasad 2012).

Reagan also made tax code "simplification" (often shorthand for minimizing the graduated structure) a priority. The bipartisan Tax Reform Act (TRA) of 1986 sharply cut progressivity at the individual level, but also increased the capital gains rate and corporate tax burdens (Avi-Yonah 2002; Avi-Yonah 2004).[19]

The final years of the Reagan administration witnessed the growth of corporate tax shelters designed to avoid the limitations imposed by 1986's TRA. Before then, large publicly traded corporations did not engage in purely tax-driven transactions. In other words, while corporations would frequently conduct business motivated by economic factors, they seldom did so *in order to* minimize their tax burdens. But provisions in the TRA now encouraged a wave of tax-sheltered investments (Avi-Yonah and Zelik 2017). Household company names like Colgate, Compaq, UPS, and Caterpillar participated in this wave of corporate tax shelters (Avi-Yonah and Zelik 2017).[20] The prevalent rationale for such behavior was that since corporate managers owed shareholders a fiduciary duty to increase share prices, and since the corporate tax reduced corporate earnings and translated into lower share prices, corporate managers were duty bound to engage in shelters (Avi-Yonah 2006). This wave of behavior led to a noticeable decline in corporate tax receipts by the early 2000s.[21]

While the anti-tax, anti-spend movement took root before Reagan was president, his administration made great strides cementing it in policymaking circles and in the public discourse. Through strategic narrative building and propagation and through concrete policy change, "cut-to-grow" narratives became embedded for the next several decades—with very real consequences for child and family well-being.[22]

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18 Incongruously, while Reagan cut spending on public supports for children and families, he adhered to a "peace through strength" foreign policy agenda that required dramatic increases to military spending—as much as 40 percent some years (Thompson 2017).

19 This law increased the corporate tax through closing various loopholes such as the ability of profitable corporations to use acquisition of loss corporations to reduce their tax bill or to distribute appreciated property to shareholders without incurring a corporate tax.

20 These corporations, and many others, were sold on the idea of shelters by big law and accounting firms that devised transactions based on a literal reading of the law and then sold them to several clients in similar tax situations (e.g., with a large capital gain that could be offset by an artificial capital loss) (Avi-Yonah and Zelik 2017).

21 It was only after a hearing in the Senate in 2003 that revealed the scope and organized nature of the corporate tax shelter wave that the courts began striking these shelters down as lacking economic substance. The hearing resulted from a series of investigations led by Sen. Carl Levin (D-MI), who made it his mission to expose malfeasance by financial institutions (Permanent Senate Subcommittee on Investigations n.d.).

22 Following the popularity of the Reagan administration's stance on taxes (i.e., cutting them), Vice President George H.W. Bush promised, if elected president in the 1988 election, that his administration wouldn't raise any taxes, issuing the infamous quip: "Read my lips. No new taxes" (Rothman 2018). This promise proved too difficult for Bush to adhere to—as many had predicted at the time. With a rising deficit and increasing spending needs, Bush was unable to legislate with spending cuts alone. At the end of his first year in office, Bush signed into law a "stealth budget" that raised relative tax burdens by increasing fees and levies, though left the income tax structure untouched (Time 1989).

The Clinton Years: The Politics of Welfare Reform Leave Children and Families Behind

President Bill Clinton, first elected in 1992, was different in party than Reagan, but ultimately adhered to many of the "cut-to-grow" economic and tax assumptions of his Republican predecessor. Especially after the Republican sweep of the 1994 midterms, federal policies enacted during the Clinton years helped codify a fiscal conservatism toward tax and spending cuts—including on some key child and family well-being policies. Clinton also became convinced by centrists in his administration that his legacy lay in forging a "third way" between Republicans and traditional New Deal liberals (Milkis 2016; Cooper 2017; Lichtenstein and Stein 2023). Thus, while Clinton had been legitimately interested in using the full tools of government to help struggling families, a misguided diagnosis of social and economic problems and partisan pressures drove Clinton-era policy results to the right.

Raised by a struggling single mother himself, Clinton wanted to use his political career to help the working poor and made welfare reform a primary tenant of his election platform. An infamous quip early in his campaign committed him to "put[ting] an end to welfare as we know it" (Clinton 1991). But to him and other liberals on his team, that vague pledge meant establishing more holistic, generous government support—including, for instance, childcare provision, public employment opportunities, and health care expansion (Lichtenstein and Stein 2023), all things that low-income parents would need consistent and affordable access to if they were to maintain steady employment themselves. But an emergent group of ardently centrist "New Democrats," as well Republican leadership, were determined to leverage Clinton's promise to overhaul welfare through draconian funding cuts and benefit limitations for AFDC, food stamps, and other critical child and family well-being programs (Lichtenstein and Stein 2023).

Early in his presidency (when Democrats still had safe majorities in both chambers), Clinton delivered on a campaign promise to double the Earned Income Tax Credit (EITC). This move had lifted 4.6 million people—more than half of them children—out of poverty by 1996 (Greenstein and Shapiro 1998). Also in his first years in office, Clinton raised taxes on the wealthy, nudged the corporate income tax rate up a tiny bit to 35 percent, and eliminated a number of itemized tax deductions (Bilmes 2023). But these tax and EITC increases would invite concerted pushback from Republicans after they took control of Congress a few years later.

In the fall of 1994, Republicans won a majority in both the Senate and the House of Representatives for the first time since the 1950s. Republican strategists ushered in their majority with soon-to-be Speaker of the House Newt Gingrich's *Contract with America*, which served as a sort of centralized platform for that cycle's Republicans. The *Contract* was inspired by—and pulled text from—Reagan's 1985 State of the Union address in which he advocated for reductions in government aid to families in order to encourage "opportunity and jobs rather than dependency and welfare" (Reagan 1985).[23] Within the top five planks of Gingrich's *Contract* were commitments to balance the budget by cutting taxes and reforming (that is, cutting) welfare in ways that "encourage people to work" (Gingrich 1994). The *Contract* also uplifted the same traditional, two-parent family ideal as Reagan. One plank commits to "protecting" children and "strengthening" families by giving parents more control in areas like education, a domain where the state would otherwise play a strong role in administering such a vital public good (Gingrich 1994). The *Contract*, and the Republican takeover of

23 One of the main intentions behind the *Contract* was to undermine the ability of the federal government to function, thereby driving a wedge between it and its citizens reliant on efficient services. As just one example, Gingrich immediately saw to cutting Congress' professional and legislative support staff (Gingrich 1994; Glastris and Sweetland Edwards 2014). Cloaked as methods for reducing the size of government, what these cuts did was make Congress less efficient, less capable of legislating on the issues, and thus *more* reliant on outside expertise (i.e., lobbyists) for content expertise (Glastris and Sweetland Edwards 2014). These staffing shortfalls linger today, making the government less functional in practice—and importantly, less functional in public perception.

Congress that it architected, represented an immense show of progress for a conservative movement intent on demolishing the remnants of the New Deal legacy by dismantling the welfare state, cutting taxes, and crippling the size of, scope of, and public trust in the federal government.[24]

Gingrich wanted broad tax cuts, dramatic spending cuts to virtually all aid programs, and to entirely overhaul the structure of welfare programs—especially AFDC (Lichtenstein and Stein 2023). AFDC operated as an entitlement program that enabled states to provide cash payments for children in need. While states had some latitude over program administration, the federal government set eligibility guidelines until the early 1990s, when the H.W. Bush administration began issuing waivers, allowing states to impose their own, stricter requirements (US Department of Health and Human Services n.d.; Wiseman 1993).[25] Gingrich's preference for welfare overhaul was to reconstruct how it operated by minimizing the federal government's responsibilities for significantly more autonomy for states.

But Gingrich also wanted 1996's Republican candidate for president, Senate Majority Leader Bob Dole, to win. So he put forth a "poison pill" welfare reform bill in order to make it difficult for Clinton to reach political consensus ahead of the election (Lichtenstein and Stein 2023). Gingrich's initial proposal would allow Congress to block-grant (and cap) AFDC *and* Medicaid, giving states wide discretion to determine eligibility and locking in benefit levels in real terms. Block-granting welfare wasn't a dealbreaker to Clinton, who as a former governor thought it provided helpful flexibility to states. But Clinton drew a hard line on block-granting Medicaid, which he knew would eventually squeeze out low-income children and families as the otherwise-ineligible medical providers, insurers, and care facilities that serviced other populations (like the elderly) competed for a finite pot of funds (Lichtenstein and Stein 2023). Liberals in the Democratic party and Clinton administration were pleased with the impasse as both groups opposed the bill outright, but Clinton himself was impatient to deliver on welfare reform. So, his team began lobbying Republicans on a compromise: If they decoupled the Medicaid provisions from the remaining welfare ones, Clinton would support it (Lichtenstein and Stein 2023). In June 1996, more than 100 Republican members of the House wrote Gingrich a letter asking him to do just this (Nelson 2016). The lobbying worked.

The resultant bill—the Personal Responsibility and Work Opportunity Reconciliation Act (PRWORA)—fell drastically short of the holistic welfare framework Clinton and liberal Democrats had initially envisioned. With PRWORA, AFDC was repealed—making it the first (and so far only) provision from the Social Security Act of 1935 to be fully repealed. PRWORA reduced the federal government's overall welfare responsibility, made significant cuts to food stamps, barred legal immigrants from food stamp eligibility, and imposed new time-bound cutoffs for recipients (Lichtenstein and Stein 2023).[26] AFDC was replaced with Temporary Assistance to Needy Families (TANF) (Social Security Administration n.d.). TANF benefits are, as its name suggests, temporary, and there are work requirements for parents in order to remain eligible.[27] Additionally, because TANF allowed states such considerable discretion, there have been notable cases of extreme fraud.[28] Combined, these provisions illustrate the now-dominant paradigm guiding welfare policy amongst Republicans and centrist Democrats: Welfare should be time-bound, incentivize work, and minimize (rather than strengthen) the federal government's role in poverty alleviation and well-being policy.

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24 Al From, executive director of the New Democrats' Democratic Leadership Council, said of the 1994 midterms: "This election said the New Deal coalition is Humpty Dumpty and it isn't going to get put back together again" (Berke 1994).

25 The result reduced direct assistance to children and their families. Between 1991 and 1994, AFDC benefits were reduced in 9 states and held stagnant in 21 others (US Department of Health and Human Services 1995). Combined with the effects of inflation, these reductions produced a 7.1 percent—or $483—real decrease in average benefits (US Department of Health and Human Services 1995).

26 Though it did increase funding for childcare assistance.

27 Work requirements generally, and those included in the 1996 welfare reform bill specifically, don't tend to increase employment or reduce poverty. Indeed, any employment gains among recipients were modest and faded over time (Pavetti 2016). Moreover, among individuals subject to TANF's work requirements, the vast majority remained poor—and some became even poorer (Pavetti 2016).

28 For instance, former professional football player Brett Favre has been embroiled in the largest public fraud in Mississippi state history after having urged state officials to direct more than $77 million in TANF funds to the construction of a university volleyball gym (Olivieri 2023). Or in the state of Ohio, where public officials have funneled more than $14 million to dangerous crisis pregnancy centers (Tolan et al. 2022).

Importantly, though PRWORA passed both chambers of Congress handedly, it caused a deep rift within the liberal and centrist factions of the Clinton administration. The centrists won out, and Clinton signed the bill in August 1996 (Nelson 2016; Lichtenstein and Stein 2023). With PRWORA, Clinton largely traded bipartisan support for that of the party's liberals. Several senior administration officials quit in protest (Vobejda and Havemann 1996).[29] Clinton acknowledged that PRWORA was "far from perfect," but seemed to genuinely think it would genuinely improve the lives and opportunities of low-income children and families (Clinton 1996). Clinton also, with a tragically inaccurate prescience, thought its bipartisan nature would depoliticize welfare reform in the future and thus pave the way for Congress to improve on PRWORA. In the Rose Garden bill signing ceremony, Clinton attested:

> After I sign my name to this bill, welfare will no longer be a political issue. The two parties cannot attack each other over it. Politicians cannot attack poor people over it. . . . this is not the end of welfare reform. This is the beginning. (Clinton 1996)

The deficit also became a big issue in the Clinton administration and motivated much federal tax policymaking in the 1990s. In fiscal year 1992, the federal government had a deficit of about $290 billion—or about 5 percent of gross domestic product. While that was high by historical averages, it was much lower than the then-record high of 6.3 percent during the Reagan administration (Graetz 1993). Republicans believed that a balanced budget, more than almost any other plank in Gingrich's *Contract*, would give them their best opportunity to control Congress into the future (Milkis 2016). Clinton himself had campaigned on cutting the deficit in half, and as President embraced Republicans' goal to balance the budget (Pear 1993; Milkis 2016). After a series of government shutdowns late in his first administration, Clinton and Republicans struck a budget deal early in his second. The Balanced Budget Act of 1997 outlined $112 billion in net spending reductions, primarily to Medicaid and Medicare (Schneider 1997). While it corrected for certain of PRWORA's shortcomings (it, for instance, provided additional funding for immigrant benefits and food stamps) and created a State Children's Health Insurance Program (SCHIP, now CHIP), it cut capital gains taxes (Milkis 2016; Bilmes 2023).

Throughout the 1990s, Clinton signed other various bills that reduced taxes for small businesses, increased certain tax deductions for self-employed business owners, and cut the tax rate on capital gains (from 28 percent to 20 percent).[30] But perhaps the most significant tax reform that the Clinton administration ushered in was one that eased the ability of large corporations to shift profits offshore to tax havens: "check the box" (CTB), a regulatory change adopted by the Treasury Department in 1996. The rule change was rationalized as a way to simplify entity classification to ease filing for taxpayers and ease enforcement for the government, but what policymakers at the time didn't realize was that it would blow a huge hole in corporate tax policy. Though unintentional, CTB allowed US companies to choose for themselves how to classify their subsidiaries for tax purposes, thus ushering in a regime that entirely eviscerated rules that had long prevented profit shifting (Drawbaugh and Sullivan 2013). Tax lawyers and industry groups loved the change and have fought tooth and nail to prevent rolling it back in the years since its implementation.[31]

While the nominal 35 percent corporate tax rate would only have applied to strictly domestic corporations, CTB made it easier for closely held corporations to become limited liability corporations that were not subject to the corporate tax at all. Predictably, immediately after CTB was implemented, corporate profit shifting to avoid taxation exploded. CTB also opened up new avenues for companies to take advantage of tax arbitrage by exploiting differences in countries' tax systems. By 2017, large US multinationals reported

29 One of those who quit was Peter Edelman, who along with his wife, Marian Wright, founder of the Children's Defense Fund, had also been personal friends of the Clintons. Edelman and Wright Edelman referred to PRWORA as the "worst thing Bill Clinton has ever done" and "a mockery of [Clinton's] pledge not to hurt children" (Edelman 1997; Vobejda and Havemann 1996).

30 All passed with strong bipartisan support. (See, for example, H.R. 3448 1996; H.R. 3103 1996; H.R. 2014 1997)

31 See, for example, the submission of public comment when CTB was first proposed by the Tax Executives Institute, a business taxation industry group (Tax Executives Institute, Inc. 1995).

$4.2 trillion in offshore accumulated earnings—$3 trillion of which was in tax havens (Clausing et al. 2021). Though hard to quantify, the US federal government has lost billions of dollars in potential revenue annually—but foreign investment by US corporations exploded—as a result of CTB (Gerth 2011).

Case Study: "Check the Box"

The CTB regime is a case study in how corporations leverage specious economic arguments to propagate popular narratives that prevent politicians from reforming the status quo tax system in ways that might cut into their bottom line—but could potentially enable stronger and better government supports for children and families. Though the full implications of CTB to federal revenue and tax code fairness were unclear at initial implementation, they became clear in short order. Despite this, the provision has been incredibly difficult to reverse and went virtually unchallenged until the late aughts.

By 2006, Bush's growing unpopularity—due in part to the lingering wars in Iraq and Afghanistan—meant that Democrats seemed likely to recapture Congress and the White House in the 2006 and 2008 general elections, respectively. US multinationals became concerned that a Democratic administration would reverse CTB. They therefore lobbied the still-Republican-controlled Congress, and in October 2006 obtained codification of CTB as section 954(c)(6) of the Internal Revenue Code.

In 2009, President Barack Obama made closing loopholes—first and foremost CTB—a priority in an effort to raise revenue to help fund Great Recession-era federal programming without increasing tax burdens on individual families (Gerth 2011).[32] Corporate interests and their lobbyists quickly and aggressively organized in opposition, deploying narratives that this reform would *actually* hurt workers and families because corporations depended on it for their own competitiveness. They claimed that reversing CTB would damage US businesses and thus threaten workers' job security. (There was no real economic evidence that this would be the case). Writing in opposition to the repeal proposal, Philip Morrison, former international tax counsel for the Treasury Department under H.W. Bush, said it was "ridiculous" for the Obama administration to seek to undo a loophole that corporate interests had come to rely on (Morrison 2009). With little evidence, influential business and trade groups—including the Business Roundtable, National Association of Manufacturers, National Foreign Trade Council, and the US Chamber of Commerce—criticized Obama's efforts to repeal CTB as anti-worker, while House Republicans claimed the move would "make it more likely that American companies will be bought by their foreign competitors" (Gerth 2011). The Obama administration and Democrats in Congress proved vulnerable to business interest criticism and soon backed down (Drawbaugh and Sullivan 2013).

The issue was raised again ahead of the 2016 presidential primary when Sen. Bernie Sanders (I-VT) urged the Obama administration to, once again, consider closing CTB and other tax loopholes for corporations through executive action (US Senate Committee on the Budget 2015). This time, business opposition didn't need to organize on the merits of the reform, but on the legality of doing so through executive action, which they claimed was unconstitutional and would signal to the electorate and other businesses that "rather than working with stable rules of the road, tax and other laws will hereafter evolve according to the uncertain path of unilateral executive decisions followed by controversy, challenges, and mistrust" (Hatch and Ryan 2015). This logic, an expanded version of which we see demonstrated today in legal challenges

32 The American Recovery and Reinvestment Act (ARRA) of 2009, the primary stimulus package passed in the early days of the Obama administration, included certain provisions aimed at protecting children and families from the impact of the Great Recession. However, such provisions included in ARRA weren't generous or robust enough to meet the severe need. For instance, ARRA allocated $5 billion in additional funding for TANF, but many states, facing budget crunches from the recession, reduced and/or set harsher limitations on benefits (McCorkell and Hinkley 2018). ARRA also provided increased funding for food stamps, the EITC, and unemployment insurance.

to executive action of all sorts, inflames government mistrust and stymies progress through legitimate policy channels. It also, in the instance of CTB, has served to stop reform efforts before they’ve ever had the chance to take root.

While CTB was never formally repealed, it became a relatively less central component of the problem of corporate profit shifting when the TCJA of 2017 created more opportunities—and incentives—for companies to avoid taxation (Wamhoff 2022).

The W. Bush Years: The “Bush Tax Cuts” Exacerbate Inequality

When he took office in January 2001, President George W. Bush inherited a slight budget surplus from Clinton (Jackson 2008). Bush had campaigned on tax cuts to all income tax brackets and the estate tax, and an expansion of the Child Tax Credit (CTC) and the deductibility of charitable contributions. These changes, at the time, were projected to reduce federal revenues by $1.3 trillion over ten years and offset almost the entire amount of the budget surplus that he had inherited from the Clinton administration (Stevenson 2000). Cutting taxes when economic conditions are favorable is procyclical in that it reduces the tax burdens at a time when the government doesn’t need to incentivize growth, while it reduces the government’s tool set for doing so in subsequent periods of decline. The Bush tax cuts can be seen as a continuation of the Reagan era—and, to a degree, Clinton era—commitment to “cut-to-grow” myths. Indeed, these cuts further codified this mentality in policymaking circles and within the electorate, who, predictably, enjoyed the positive income effect they provided taxpayers, especially those on the high end. Thus was continued a vicious policy feedback loop in which cutting taxes for specific powerful interests led to discrete economic gains for those interests, which animated its own political constituency for even further cuts.

The first Bush tax cut, in 2001, focused on the individual tax and the repeal of the estate tax (which, under the 2001 proposal, would be completely phased out by 2010) (Horton 2017). Bush tried to follow up with another round of cuts in 2003 that would have exempted dividends from taxation, which would have drastically reduced the progressivity of the income tax as well as created a large disparity between dividends (taxed at 0 percent) and capital gains (taxed at 20 percent) (Avi-Yonah 2005). Nonetheless, Congress rejected this 2003 proposal in favor of reducing both dividends and capital gains rates to 15 percent. While less severe than Bush’s proposal, even that tax rate drastically undermined the progressivity of the income tax because both taxable dividends and capital gains overwhelmingly benefit the richest Americans.[33]

The next target of the Bush administration’s tax agenda was the corporate tax. The administration and Congressional Republicans considered the so-called American Jobs Creation Act (AJCA) of 2004 “must pass” because the US had recently lost a case in the World Trade Organization (WTO) challenging a trade subsidy—the Extraterritorial Income (ETI) exclusion (Clausing 2004). US exporters faced high punitive tariffs on politically sensitive goods like Florida oranges if the US did not repeal the export subsidy at the core of the dispute. The Bush administration went to bat for industry and worked to pass the AJCA.

But the final AJCA did more than just repeal the ETI. Indeed it included several more provisions that were a boon to industry—and no one else—while undermining the government’s ability to raise revenue from

33 And, because it is relatively easy for the rich to convert ordinary income to capital gains in order to take advantage of lower tax rates.

corporations or otherwise leverage the tax code in the public interest. For instance, though it was drafted to be technically revenue-neutral, the ACJA included several new tax breaks (including generous provisions for small business expensing and deductions for state and local sales tax) that, while temporary, the bill's authors knew would be popular once enacted and therefore hard to sunset (Clausing 2004).

Since the AJCA law was less publicly salient than the 2001 and 2003 tax cuts, large US multinationals were able to load it with new loopholes. The final bill included a temporary exemption for dividends from foreign subsidiaries that did not create any jobs, a significant increase in the potential for cross-crediting in the foreign tax credit which provided an added incentive to shift jobs overseas, a manufacturing deduction that extended to software and film production and did not help manufacturing, and a deeply flawed anti-inversion rule that immediately gave rise to a second wave of inversions (i.e., corporate expatriations to tax havens to avoid taxation) (Avi-Yonah 2020b).[34] Moreover, the generous business terms of the AJCA were the direct result of lobbying. Chen et al. (2014) find that an increase in $1 million in lobbying expenditures was associated with about $32.35 million in taxes saved in the AJCA, and an increase in $100,000 of PAC contributions was associated with about $15.64 million in taxes saved.

The benefits of these cuts flowed almost exclusively to high-income taxpayers and corporations. The top 1 percent of US households were able to increase their after-tax income by almost 7 percent (or $570,000, on average) each year between 2004–2012 (Horton 2017). Conversely, the after-tax incomes of middle- and low-income households enjoyed only a 2.8 percent and 1 percent increase in their after-tax incomes, respectively (Horton 2017). Moreover, as with the TCJA's proponents in 2017, advocates for the Bush era tax cuts claimed they would pay for themselves in increased economic growth that would generate higher revenues. Now years later, we know that the tax cuts did not increase economic growth, but instead ballooned federal deficits (Horton 2017; Kogan 2023).

The Obama Years: Missed Opportunities and Compromise

The story of Obama-era tax policy is one of missed opportunities for reform due to business opposition—at the expense of the public welfare. Indeed, we see in context a clear political choice to forgo a more expansive, directly beneficial health care law—for instance, one that included a public option—in favor of neutralizing misguided concerns about over-burdensome taxes. A public option had been included in earlier drafts of the Affordable Care Act (ACA), but was excised as a compromise with Sen. Joe Lieberman (D-CT), who threatened to filibuster. In rationalizing his obstruction, Lieberman leveraged narratives about welfare entitlement and "protecting the taxpayer," asserting that "even with an opt-out it still creates a whole new government entitlement program for which taxpayers will be on the line" (Raju 2009).[35]

Business interests played a huge part in the effort to kill a stronger health care bill. In 2009 alone, the insurance lobby spent $270 million lobbying against the ACA (McFadden 2021). The pharmaceutical industry spent an average of $1.2 million *a day* that Congress was in session in 2009 (McFadden 2021). Efforts to weaken the new health care law didn't stop with its ultimate passage in 2010. Insurance companies, pharmaceutical companies, and businesses of all types—including the National Federation of

34 But these bad features were not particularly lasting. The participation exemption lasted only one year, the cross-crediting provisions were significantly revised in 2017's TCJA, the manufacturing deduction was repealed with the TCJA, and the anti-inversion provision became less relevant after the TCJA (Avi-Yonah 2020b).

35 Around this time, insurance companies became one of Lieberman's top donors, donating nearly $60,000 to his campaign and PAC between 2010 and 2012 (OpenSecrets n.d.).

Independent Businesses—spent hundreds of millions more between 2010 and 2020 to kill the bill in court (McFadden 2021).[36]

After Democrats lost the House in 2010, Republicans, who opposed increased government spending during the Great Recession, demanded a deficit reduction in exchange for an increase in the debt ceiling, or the maximum amount of money that the Treasury Department is allowed to borrow to meet existing obligations. Any compromise had to come before the August 2011 deadline that would have seen the US default on its debt. The resultant compromise was the Budget Control Act (BCA) of 2011, which instituted a series of automatic across-the-board cuts to discretionary programs including Medicare (Kogan 2012). Though BCA included certain exemptions for child and family well-being programs like Social Security, the CTC, the EITC, and CHIP, this kind of "sequestration" hamstrung the Obama administration's ability to provide economic relief to families (Kogan 2012).

The only possible opportunity for a more progressive tax reform during the Obama administration came in 2012 as the result of the natural expiration of the Bush tax cuts. Even that resulted in no change in the corporate tax rate, and the dividends and capital gains rate remained much lower than that on ordinary income and wages at 20 percent (23.8 percent with the "Obamacare" addition) and 39.6 percent, respectively. At around the same time, the private sector developed new techniques to minimize their tax bills—such as characterizing the labor income of private equity managers as capital gains and avoiding the renewed estate tax using family limited partnerships and grantor retained annuity trusts (Avi-Yonah 2021). As a result, inequality continued to grow during the Obama era, and the opportunity to reduce it by increasing the corporate tax, as well as the tax on dividends and capital gains while the Democrats held the House and had a filibuster-proof 60 votes in the Senate, was lost.

That said, Obama did make some progress on child and family well-being policy. For one, Obama fought to both protect family safety nets, including food stamps, and to secure expansions in EITC and the CTC (Golden 2016). He also expanded CHIP—resulting in 4 million more eligible children—after the W. Bush administration refused to reauthorize the program (Pear 2009). These achievements, while important, fell short of meeting the full need. And, despite plans to advocate for childcare as the "national economic priority that it is for all of us," he failed to secure sufficient, permanent funding for national childcare coverage (Obama 2015; Cohn 2015; Golden 2016).

The Trump Tax Cuts: A Handout to Corporations and the Wealthy

One of the only economic policies that Donald Trump campaigned on when running for president in 2016 was his tax plan to cut taxes (Cole 2016). That Trump's primary goal was to cut taxes was obvious. In a 2017 speech, before what came to be called the Tax Cuts and Jobs Act (TCJA) had been introduced in Congress, Trump underscored his commitment to make cuts:

> I look forward to working with Congress to deliver these historic tax cuts and reforms to the American people. These tax cuts are significant. There's never been tax cuts like what we're talking about. (Nitti 2017)

36 Corporations and the insurance industry have run the same playbook at the state level in the years following the ACA's passage. Perhaps more notoriously, in 2019, insurers got a Connecticut public option killed after exerting massive amounts of lobbying and political spending (Luthra 2020).

Though Trump and Republican leadership intentionally marketed the tax plan as reducing tax burdens for middle-class families and workers, many of the provisions of the resultant TCJA—including the permanent reduction and elimination of graduated rates of the corporate tax and the reduction in the estate tax—were designed to disproportionately benefit businesses and the wealthy.

The evolution of the TCJA of 2017 illustrates the cascading nature of tax cuts inspired by the "all taxes are bad taxes," "cut-to-grow" philosophy adopted by the Republican party and the conservative movement since the Reagan administration. It also demonstrates the vicious policy feedback loop for business tax cuts: Companies aggressively and persuasively lobby for easier tax treatment for themselves when easier tax treatment for their perceived competitors is on the table.

The TCJA doubled down on the now-debunked trickle-down economics myths and maximized the political opportunity of a unified Republican-held Congress and a new Republican administration by making permanent many corporate tax cuts and other harmful loopholes for businesses and high–net worth individuals. The corporate tax rate was cut from 35 percent to 21 percent and was made completely flat for the first time since the 1930s. In addition, for the first time US corporations receiving a dividend from their foreign subsidiaries could exempt that income from taxation. And a complicated deduction was added to reduce the tax rate of many rich owners of partnerships from 37 percent to 29.6 percent.

As a concept, the TCJA was predicated on the desire of large multinational corporations to use the roughly $3 trillion of "trapped income" they had accumulated in low-tax foreign jurisdictions to distribute dividends and buy back more of their stock—thereby increasing their stock price, earnings per share, as well as the stock-based compensation of their executives (Avi-Yonah 2020a). Under pre-2017 law, US multinationals could easily avoid current taxation on their offshore earnings, but they could not repatriate them without incurring a 35 percent tax on the dividend. The companies argued that this put them at a competitive disadvantage to their foreign rivals who benefited from "territoriality" (i.e., the ability to repatriate dividends without triggering taxation) (Avi-Yonah 2020a), even though these same multinationals already exerted immense dominance within their respective industries.

Once this premise—that US multinationals "deserved" easier treatment when trying to repatriate—was granted, the result disadvantaged corporations that earned primarily domestic income—both many smaller competitor companies but also large corporations like Walmart.[37] This disadvantage was relative. It's not that domestic corporations, like Walmart, would have been subject to higher taxes, but that because their profits primarily came from the US, they wouldn't be able to take full advantage of the repatriation tax break. Thus, those already dominant, primarily domestic companies lobbied for something that would directly benefit them: a cut in the overall corporate tax rate from 35 percent to 21 percent.

In turn, this concession created another relative tax disadvantage between types of businesses. A lower corporate tax rate would only apply to C-corps, not pass-throughs.[38] The Trump administration and congressional Republicans chose to rectify this gap to satisfy business demands—particularly that of pass-through owners and operators—with the most regressive and costly provision of the TCJA: the section 199A deduction, which reduced the tax rate on some pass-throughs (e.g., real estate firms) to 29.6 percent while retaining the 37 percent rate on other pass-throughs (e.g., law firms) through a very complex and ineffective set of provisions (Avi-Yonah 2020a).

The combination of these cuts would result in a revenue reduction that far exceeded the $1.5 trillion limit the Republicans had set for the TCJA. In order to account for the shortfall to make the bill seem less costly, and thus easier to pass, Congress returned to the multinationals and imposed a one-time mandatory

37 Though most of their profits come from domestic sales, Walmart is still one of the largest US multinationals. The company captures more than 50 percent (and sometimes upwards of 70 percent) of the grocery market in more than 40 metropolitan areas in the US (Mitchell 2019). It exhibits similar practices abroad, including in Mexico, where as of October 2023 it is being investigated for its monopolistic behavior (Solomon 2023).

38 For more on the characteristics and tax treatment of pass-throughs, see part one of this report series.

repatriation tax on the $3 trillion accumulated offshore at a rate of 8–15 percent (Avi-Yonah 2020a).[39] Even though this 8–15 percent rate is much lower than the 35 percent it should have (and would have) borne upon repatriation without the new TCJA provisions, multinationals are challenging it in the Supreme Court as unconstitutional in a case titled *Moore v. United States*. Should their challenge succeed, multinationals will receive a refund of more than $350 billion.

The TCJA resulted in a revenue loss of $1.5 trillion. It also almost exclusively benefited businesses, especially large dominant corporations and the owners of large partnerships. The evidence shows that the TCJA did nothing to create jobs, raise wages, or spur economic growth over the long term. And, the actual revenue loss from the TCJA has greatly exceeded the Trump administration and congressional Republicans' $1.5 trillion ceiling.[40] What's more, the TCJA further enhanced the competitive advantages enjoyed by large global corporations at the expense of smaller competitors—achieving precisely the exact effect FDR had proposed in 1938 that corporate tax policy should play: a leveler and pro-competition effect. Given all this, it's unsurprising that the TCJA has been unpopular (Gallup, Inc. n.d.).

Case Study: The Implications for Child and Family Well-Being in the TCJA's Corporate and Tax Credit Policy Provisions

Corporate tax policy since Reagan has been driven by the trickle-down economics narrative that cutting the taxes on "job creators" will benefit less wealthy US taxpayers. Such an idea is often offered in tandem with the notion that this is the only way tax policy can help American families. These promises can be persuasive at first glance. Here, for example, is an excerpt from former Republican Speaker of the House Paul Ryan's blueprint for tax reform in 2016, which served as the ideological basis for the TCJA:

> America's broken tax code discourages investment, which means workers have fewer resources and are less productive. This Blueprint creates an environment in which job creators and American families can thrive. . . . These reforms will make the United States the most attractive place to invest in the world, which will stimulate much-needed investment, job creation, and wage growth. By replacing a broken tax code that diverts investment away from promising entrepreneurial endeavors and that discourages work, and delivering an efficient tax code that interferes as little as possible with the growth of businesses and preserves the value of work for individuals, this Blueprint will facilitate an environment in which American businesses—and more importantly American families—can thrive. (Ryan and Brady 2016)

This is the essence of trickle-down economics: By cutting taxes on "savings and investment" (i.e., on the rich and on large corporations controlling those savings), American families will benefit and the government deficit will shrink because the tax cuts will pay for themselves. This is the narrative that underlies all the Republican tax cutting efforts from 1981 to the present, and has undermined sporadic Democratic efforts to reverse those cuts.

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39 The TCJA also imposed taxation on eligible foreign multinational income, but the rate of this global intangible low-taxed income (GILTI) tax was only 10.5 percent and the exclusion of income from tangible assets created an incentive to move jobs offshore. Finally, to balance the low 10.5 percent GILTI rate, Congress enacted a 13.125 percent rate on domestic income from export activities, but didn't include a requirement to move any jobs back to the US to boost domestic employment (Avi-Yonah 2020a).

40 For more on the actual economic impacts and costs of the TCJA—and how they differed from what the bill's champions promised—see part one of this report series as well as, for example, Bivens and Blair 2017; Gale and Haldeman 2021; Gravelle and Marples 2019; Hendricks and Hanlon 2019; Kogan 2023.

The Trump administration marketed the TCJA as "a tax cut for working families" and "job creators" (The White House 45 Archived 2017; House Committee on Ways and Means 2017). In the legacy of Reagan, the bill's champions also went to great lengths to tie its tax cuts to other provisions that oriented, they claimed, to families. For instance, Rep. Kevin Brady (R-TX), chair of the House Committee on Ways in Means when the TCJA was being negotiated, claimed that the bill "boost[ed] family-focused tax benefits like the Child Tax Credit to help families keep up with the rising costs of childcare, higher education, and looking after their loved ones" (Gleckman 2022). The CTC is a vital resource for children and families. But the TCJA's advocates strategically touted it knowing full well that its CTC provisions were temporary, whereas the tax cuts they provided to businesses were permanent. Moreover, using a bill's (albeit positive) impact on a single mechanism to advance child and family well-being to market the bill as net positive for American families is dangerously flawed—though politically strategic.

The TCJA, which was inspired by Ryan's blueprint, predictably did not result in any growth in productivity, jobs, or the economy, while massively increasing the budget deficit and benefiting large corporations and the rich. The TCJA's corporate tax cuts provided no discernable growth to consumption or business investment (Marr et al. 2021; Furman 2020). And, most studies comparing employment and wages before and after the TCJA find employment and median wage growth actually slowed after the 2017 law (Gale and Haldeman 2021; Gravelle and Marples 2019). Instead, most of the TCJA's benefits were passed on to shareholders in the form of higher corporate payouts (Kalcheva et al. 2022). Even the small tax levied on the accumulation of untaxed income offshore by the US multinationals prior to 2017, which was crucial to keeping the official deficit increase to $1.5 trillion, could be reversed by the Supreme Court with the case *Moore v. United States*, which is pending at the time of writing.

In terms of impact to child and family well-being, the TCJA doubled the CTC—but only temporarily through 2025. Overall tax benefits for families with children remained roughly the same as under prior law (Tax Policy Center 2022; Maag 2019).[41] Further, distributional effects of the TCJA's changes to the individual income tax provisions were decidedly targeted to the wealthier households (i.e., not those primarily benefiting from the CTC). Even just looking at the TCJA's family provisions, the top quintile benefitted more than the lowest quintile, in dollar terms (Tax Policy Center 2022). And, the TCJA not only failed to address preexisting tax inequities between (typically low-wage) caregivers but also made them worse (McCormack 2020).

Though the purported benefits of the TCJA to American families and their children didn't materialize, the TCJA *did* serve as selling point fodder for Republicans to try to convince the broad electorate to support the broader vision of cutting taxes for businesses and their executives. Voters generally don't approve of corporate giveaways. Yet, corporations "drove the train" toward the TCJA's reforms (Cary and Holmes 2019). Simultaneously, working families' interests were used instrumentally to power the train—through, for instance, the narratives that most families would benefit—but they got little in return.

The TCJA became such a corporate giveaway of rate reductions and cuts due in part to the horse-trading nature of political negotiations. As one member in the Republican-controlled House during the TCJA fight described the less-than-deliberate negotiation process, "I'm convinced, based on what I've seen in the Senate, this is the way the Senate process worked: 'What's it going to take you to vote for a tax bill? Like on childcare, we're good? You get the childcare thing? We're good [to vote].'" (Cary and Holmes 2019). In a recent speaking event on the TCJA's legacy, Paul Ryan, then-Speaker of the House, admitted that Republican operatives intentionally made permanent the provisions—like the corporate tax cuts—that they'd have a hard time getting extended in other political circumstances and they made temporary the provisions—like the CTC—that voters would object to expiring (and so potentially, the thinking goes, exert enough political pressure on their representatives to secure an extension) (Ryan 2023). Beyond the political strategy embedded in that decision, it also shows where the real priorities were in the last major tax reform fight of the last several decades.

41 The TCJA's repeal of personal exemptions effectively cancels most of the benefit of the expanded CTC.

Conclusion: Reflections on the Impact of Corporate Tax Reform on Child and Family Well-Being

Conclusion: Reflections on the Impact of Corporate Tax Reform on Child and Family Well-Being

Predicated on the understanding that taxes on corporate income, dividends, and capital gains had different—but complementary—goals, the New Deal-era worldview on corporate tax aimed to leverage it as a robust redistributive and regulatory tool. For one, it ensured that business owners and executives could not avoid taxation by putting their money into their companies. It also served as a direct way of limiting the power of and regulating large corporations in the economy. Taxes on dividends and capital gains were imposed directly on wealthy individuals because the rich disproportionately receive the benefits of taxable dividends and capital gains. This is why, from the early days of the FDR administration, the US had a system of taxing corporations as well as dividends in full. This system was strengthened by various reforms in the decades to follow, but has been severely undermined since the early 2000s.

The New Deal-era corporate tax also worked as a regulatory tool. From 1935 to 2017, the corporate tax rate was graduated, wherein larger, more powerful corporations with greater ability to pay faced marginally higher rates than smaller businesses. Graduated rates help level the playing field between large corporations and their much smaller competitors. The graduatedness of the corporate tax was incrementally eroded in the years following the Roosevelt administration, such that by 2017 and/or failing to adjust the tax brackets, almost *no* publicly traded corporations were paying the regular corporate tax rate of 35 percent. The Trump administration used the fact of its whittled-down graduated nature to justify eliminating it entirely. Looking ahead, a renewed graduated progressive corporate tax rate can do the work it once did to help level the playing field, and limit the tendency of corporate monopolization that harms the wellbeing of communities, consumers, and workers alike.

The transformation of the corporate tax code since the New Deal was undertaken by elected officials and business interests intentionally deploying select (specious) narratives about the economic implications of tax reform (e.g., that taxes should be "cut to grow" businesses and the economy) and about the accompanying political constraints to the toolkit of government funding options (i.e., that the federal budget needs to be "balanced"). These narratives were all empirically untrue at best and intentionally disingenuous at worst, but they've devastated the government's capacity to fund and administer critical well-being programs. At the same time, these narratives—many of which have been deployed to increase things like work requirements and diminish the generosity and/or permanence of benefits—have helped make well-being programs more difficult for individuals and families to be eligible for, placing increasing levels of material and psychological burdens on families and children. They've also been (intentionally) imbued with a racialized preference for traditional nuclear families that leaves many other needy children and families behind.

Looking back over the past 50 years of corporate tax reforms, as this paper has done, illustrates just how entrenched and widespread the neoliberal set of assumptions around corporate tax cuts has become. The power of the dominant "cut-to-grow" narrative has made it very difficult to argue for a more expansive, progressive vision of corporate tax reform—contributing to a decades-long stalemate in efforts toward real comprehensive corporate tax reform.

More recently, however, as empirical evidence has provided compelling proof that cutting corporate tax fails to drive shared economic benefits, elected officials, advocates, and the Biden administration have worked to reinject progressivity and fairness back into the US tax code—with promising implications for child and family well-being. The 2020 presidential primary put US tax policy on center stage. In particular, Senators Bernie Sanders and Elizabeth Warren made equitable and just tax reform a key component of their respective campaign platforms. Indeed, Sen. Warren (D-MA) made a direct and specific link between her wealth tax proposal and investments in child and family well-being policies, proposing that the revenues from a tax on multi-millionaires be used to provide for a system of universal childcare in the US (Wilkie 2019). This campaign focus, as well as the tireless work of tax advocates, helped propel ideas like a wealth tax into the mainstream—one that was popular with voters (Winter 2020). The 2020 election cycle also helped disseminate critiques that corporate tax policy was designed and implemented to benefit only businesses and their executives—at the expense of foregone tax revenue that could be used to pay for public-interest programs and tax incentives that could help shape competitive markets.[42]

Growing public anger with low corporate and high-end income tax rates coincided with the onset of the devastating COVID-19 pandemic and resultant—if short-lived—economic downturn (Katz-Brown 2021). The first few years of the Biden administration, which enjoyed (incredibly slim) majorities in both chambers of Congress until early 2023, have demonstrated some signs that the administration has adopted a more affirmative stance on tax reform that prioritizes holistic family well-being and honors the reality of how the economy responds to taxes. Despite the enthusiasm of the Biden administration, actually achieving progressive corporate tax policy reform and affirmative well-being policies has proven challenging.

Perhaps the most relevant example of all of these dynamics at play can be seen through the recent fight over what came to be the Inflation Reduction Act (IRA) in the fall of 2022. The IRA's inspiration, Biden's Build Back Better (BBB) framework, included much more robust investments in children and families than what survived into the final IRA. Indeed, BBB included an entire section, the American Families Plan, outlining various social policy initiatives including paid parental leave, universal pre-kindergarten, and free community college. Though most of those provisions were excised through political negotiations with centrist Democrats, the final IRA has recast the role of taxation (and tax administration) as having an express purpose to restructure markets and create a more level playing field for small businesses through the buyback tax and the corporate alternative minimum tax. Yet—out of political necessity to reach consensus—the IRA's tax provisions still lacked scale (on both government spending *and* revenue raising) and structure (which still relies on a flat corporate income tax rate, for example) needed to undo decades of an eroding and unfair corporate tax code (DiVito 2022). Originally, the Biden administration proposed a much broader overhaul of the tax code that included an increase of the corporate tax rate to 28 percent, increase of the GILTI rate to 21 percent, a minimum global tax rate, and a repeal of the preferential rate for exports. The administration also supported extending the pandemic-expanded refundable CTC, which nearly halved child poverty with the American Rescue Plan (Jarow 2023). However, Democratic Senators Joe Manchin and Kyrsten Sinema objected to higher corporate taxes (or diminished tax preferences for business interests), which forced the Biden administration to drop the CTC from the legislation that became the IRA (Office of US Senator Joe Manchin 2022).

Without sufficient support for more increases to the corporate tax *rate*, the IRA as enacted adopted a corporate alternative minimum tax of 15 percent on book income (i.e., financial accounting income). Referred to as the alternative minimum tax (AMT), this provision acts as a floor on the corporate deductions that could bring the effective rate below 15 percent.[43] Importantly, the AMT applies to the worldwide income of US multinationals, thereby offsetting the dividend exemption enacted in the TCJA and imposing current

42 The vast majority of Americans consistently report feeling like corporations and the wealthy don't pay their fair share of taxes, while low- and middle-income Americans pay more than their fair share (Oliphant 2023).

43 The AMT included exemptions for some of the environmental and manufacturing credits enacted in the IRA and other recent legislation.

taxation on *all* income from whatever source derived.[44] This achievement both helps ensure that large companies can't avoid this tax as easily and helps level the playing field between large super-profitable firms and their competitors. Together with the buyback excise tax, the IRA points to the very beginning of a turn away from the "cut-to-grow" myths of the past toward a renewed emphasis in US tax policy on leveraging both the revenue, redistributive, and restructuring roles of corporate tax policy. And, its tax provisions have proven very popular with American households. Though public sentiment on tax divides on partisanship, a majority of all voters in 2022 were supportive of heavy taxation on the wealthiest households and government redistribution of that wealth (Constant 2022; Newport 2022).

Because the richest Americans pay very little in taxes (as they hold most of their wealth in the form of untaxed unrealized appreciation) and because a large portion of gains on corporate shares also go untaxed (as a large proportion are owned by tax-exempt entities and foreigners), the corporate tax is the most effective way to tax capital. It is also an essential way to limit and regulate the immense political and economic power of corporations and their executives. Both considerations suggest that the corporate tax should be made much more robust than it is now—by closing remaining loopholes, sharply raising the rate for the largest corporations, and returning to a progressive graduated corporate tax system based on ability to pay.

Such reforms would not only help level the playing field and check the monopolistic tendencies that limit economic opportunities for families and their children, it would also allow the government to use the full power of the corporate tax to again provide a sufficient revenue source to make significant investments in public-interest programs and services (Maag et al. 2023). Among other things, the resulting revenue could then be used to fund the enhanced refundable CTC and other programs that improve the well-being of children and families and are critical investments for a thriving 21st-century economy.

44 Even so, the AMT is not a cure-all. It allows global averaging, so companies can combine their income in tax havens with higher income abroad to secure preferred treatment relative to US income. A "country-by-country" minimum tax would be more effective to address the problem of profit shifting.

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