

Statement of Senator Susan Collins
The Tax Cuts and Jobs Act, H.R. 1
December 18, 2017

Madam President, I rise to express my support for the conference agreement on the Tax Cuts and Jobs Act, the first major overhaul of our tax code since 1986. This legislation will provide tax relief to working families, encourage the creation of jobs right here in America, and spur economic growth that will benefit all Americans.

Madam President, let me start by discussing the effects of this bill on individuals and families. Throughout this debate, I have emphasized that reforms to our outdated tax code must help working families. I therefore authored three key amendments that were retained in the final package. My amendments allow families to deduct up to \$10,000 in state and local taxes, increase the deduction for medical expenses, and protect tax-free contributions for retirement savings.

The original Senate bill would have eliminated the deduction known as SALT that allows taxpayers to avoid paying a federal tax on state and local taxes that they've already paid. This provision has been in the tax code since 1913 when the income tax was first established. It is intended to prevent double taxation. My amendment, which was adopted by the Senate, restored the deduction for property taxes up to \$10,000. I am pleased that the final bill goes a step further by allowing the deduction of property and income or sales tax up to this level, which will assist even more Americans.

My work to restore this deduction is especially important to families living in high-tax states like Maine, which has one of our nation's highest tax burdens. Yet, Maine's per capita income ranks only 31st, which is nearly \$5,200 below the U.S. average. Maintaining this deduction therefore provides important tax relief for those Mainers who itemize.

Madam President, my second amendment included in the conference agreement is a very important one. It is aimed at helping Americans struggling with high unreimbursed health care costs, including seniors paying for long-term care for a loved one and those with expensive, chronic health care conditions. My amendment lowers the threshold for claiming this deduction for these unreimbursed expenses from 10 percent to 7.5 percent of income for 2017 and 2018. Now, the House bill would have eliminated this long-standing deduction used by approximately 8.8 million Americans annually—nearly half of whom make less than \$50,000 per year.

Retaining this important deduction and lowering the threshold will provide relief for those experiencing particularly high health care costs. That is why AARP and 44 other consumer groups strongly endorsed my amendment, stating: "... it provides important tax relief which helps offset the costs of acute and chronic medical conditions for older Americans, children, pregnant women, disabled individuals, and other adults as well as the costs associated with long term care and assisted living."

At a time when we need to be encouraging Americans to save more for their retirement, I am encouraged that the final agreement preserves the pre-tax contribution limits for retirement savings plans. Madam President, we are in the midst of a silent but looming retirement security crisis in this country. According to the non-partisan Center for Retirement Research, there is a \$7.7 trillion gap between the savings that American households need to maintain their standard of living in retirement and what they actually have saved. We should be doing everything we can to encourage more saving, not less.

For this reason, I am pleased that the final bill includes my third amendment, which struck the original Senate language eliminating the ability of public employees like firefighters, school teachers, and police officers as well as clergy and those employed by charities and non-profit organizations to make what are called “catch-up” contributions to their retirement accounts. These employees are generally paid less than their counterparts employed by for-profit companies and thus are less able to save for their retirement. My provision will allow them to continue making these important, extra investments toward a secure retirement.

The conference agreement benefits lower- and middle-income taxpayers significantly, while simplifying the task that no one relishes of completing our tax returns. Significantly, this bill nearly doubles the standard deduction to \$12,000 for single filers and \$24,000 for those filing jointly.

The child tax credit will also be doubled from \$1,000 to \$2,000, and thanks to Senator Rubio’s efforts which I strongly supported, up to \$1,400 of that tax credit will be refundable in order to benefit low-income families.

But Madam President, let’s be more concrete. What do these reforms mean to families across our country? The 72 percent of Mainers who already use the standard deduction will have their taxes reduced. A family with \$24,000 in income will pay no federal income tax. A single mom earning \$35,000 a year with one child will see her taxes drop by nearly 4,000 percent. Instead of paying money back to Washington, she will be getting back nearly \$1,100 to help her make ends meet.

A couple with no children, earning \$60,000, will see their taxes fall by more than \$900. And a couple with two children earning \$60,000 will get a tax cut of about \$1,700—that is a reduction of more than 100 percent. The bottom line, Madam President, is that most Maine households will see their taxes go down.

Madam President, I was very concerned about a number of important deductions for individuals that would have been eliminated under the House bill. Having worked at Husson University in Bangor before my election to the Senate, I am well aware of how critical education deductions and credits are to our students and their families. Therefore, I had several fruitful discussions with a key conferee, Senator Rob Portman, about preserving those deductions that help students afford higher education, and I appreciate his strong advocacy for these provisions that I care so much about as a result of my direct experience working with college students.

In fact Madam President, one of the very first bills that I introduced in the Senate as a new Senator in 1997 was to provide a deduction for interest paid on student loans. The conference agreement maintains that deductibility of interest on student loans, as well as the tax exemption for employer-provided tuition assistance and for graduate student tuition waivers. All of those important deductions are maintained in this bill and will help Americans improve their earnings because of the increased education that they will have. The bill also maintains the \$250 deduction—a provision I authored some 15 years ago—that allows teachers to deduct the cost of classroom supplies that they purchase with their own money. And having visited more than 200 schools in the state of Maine, I know firsthand how dedicated teachers dig deep into their own pockets to buy supplies to enhance the education of their students.

In addition, this bill would modernize the ABLE accounts, which are tax-preferred savings accounts essential for providing long-term support for individuals with disabilities and their families. The bill also continues the tax credit to encourage adoptions.

The final agreement also preserves a number of deductions and credits that are so important to our communities. I worked hard to preserve the Historic Tax Credit so that businesses rehabilitating older buildings in communities like Lewiston, Maine, will continue to do so. I am also pleased that Private Activity Bonds, which are vital to many hospitals and institutions of higher education, are continued, as are the affordable housing and new markets tax credits. Madam President, we have found proven ways to encourage public-private partnerships, and we ought to continue to incentivize these important partnerships.

Madam President, how the legislation treats employers has also been the subject of much debate, but the reality is that the United States cannot continue to have the highest corporate tax rate in the developed world at 35 percent. We are losing jobs as businesses make the calculation to invest overseas. I have talked to the executives of General Dynamics, which owns Bath Iron Works in Maine and employs more than 5,000 Mainers; to United Technology, which employs more than 1,900 people in North Berwick at its Pratt & Whitney plant; to General Electric, which has a major plant in Bangor; to Procter & Gamble, which employs 400 workers in Auburn; and to Idexx, which is such an important high-tech employer in Westbrook, about the positive difference this legislation will make in their ability to create jobs in America.

New Balance, which has about 900 workers in Maine manufacturing footwear, described the reforms as allowing: “New Balance will more competitive and manufacture more footwear in Maine that we can export across the globe.” This significant Maine employer went on to say: “Companies like New Balance, which already has a strong domestic manufacturing presence, will be able to increase investments in their facilities and be more globally competitive while remaining a U.S. company hiring U.S. workers.”

These words are echoed by the manager at the Pratt & Whitney plant who wrote to me: “The reforms...will allow companies like ours to bring home earnings from abroad to invest in research and development, advanced manufacturing, energy efficiency and workforce initiatives...Pratt & Whitney plans to hire thousands of people over the next several years across our U.S. operations, and this tax reform will further support our efforts.” Madam President, isn't

that what we seek? Isn't that what tax reform should bring about? More jobs right here in America.

The bill also includes changes important for our small businesses, which employ nearly half of all workers and generate two-out-of-three net new jobs in our country. They are the true engine of our economy, especially in the great state of Maine. The bill will provide tax relief that enables them to create more jobs, increase paychecks, and grow our economy. As the president of the Retail Association of Maine recently commented about this tax reform bill, "For Maine and its nearly 9,000 retail establishments and the more than 80,000 retail jobs, this is a welcome relief for small businesses."

According to the National Federation of Independent Business, Maine ranks fifth in the nation for the share of workers employed by "pass-through businesses" as most small employers are structured. The NFIB, our nation's largest small business advocacy group, has strongly endorsed this final bill.

Small businesses make an out-sized contribution to our nation's economy, and yet they face a tax burden that can reach nearly 40 percent at the federal level and can be significantly higher than the corporate tax rates paid by larger firms. Small businesses are forced to devote more resources to tax payments and fewer resources to creating good jobs and investing in their communities. This bill provides important tax relief to the small businesses that are the backbone of our economy.

Let's listen to the words of some of the small business who have written or talked to me from Maine. The owner of Windham Millwork, an architectural woodworking company, described the relief for small businesses and how it will help manufacturing workers and families in this way: "Most importantly, it means Windham Millwork will have more money to spend on what matters — our workers and community. With the money we'll save, we can create new jobs or offer better pay to our workforce." And that helps everyone in our community and contributes to a growing Maine economy.

The innkeeper of The Nonantum Resort in Kennebunkport, Maine, noted: "This tax reform bill helps level the playing field for small businesses, not only in the hotel industry, but across the economy. With a lower tax burden, small businesses in all industries can continue to grow, creating more jobs"

Moreover, a family-owned business in southern Maine described for me how the bill will benefit Maine companies and the people who work at them: "When [companies] become more profitable, they re-invest faster, grow faster and increase profit sharing. Employees benefit when companies grow. There are more jobs, more opportunities, more security, more mobility, more innovation."

Tax reform should spur this kind of economic growth. The weak growth and stagnant wages that we have seen in recent years cannot be accepted as the new normal for our country. It is clear where the current path would lead if we do not act: CBO projects the current slow growth of just 1.9 percent per year will continue through the next decade, far below the historical

average of three percent. This would result in our public debt exceeding 90 percent of GDP by 2027, just as our obligations to the Baby Boom generation begin to crest.

Surely, surely, Madam President, we can do better. Tax relief and reform will lift our economy, leading to higher wages for workers and more revenue for the government. Extrapolating a CBO estimate, an increase of just four-tenths of one percent in economic growth could produce revenues that are in excess of a trillion dollars over the next 10 years.

If we remain on our present trajectory, however, growth will remain stagnant. Continued slow growth will crowd out many funding priorities, harm our national security, place significant strain on federal programs, and impose a burden on our children and our grandchildren. We must act now to reignite the engine of growth to provide for the next generation the same promise of a brighter future we received from those who came before us.

Finally, Madam President, let me discuss the critical issue of health care. It has been deeply disturbing to see seniors frightened about the possibility that this tax bill could trigger an automatic four percent cut in the vital Medicare program. Although I knew that the law that could cause this reduction has been waived 16 times, I felt that it was essential that our leaders publicly commit that Medicare reductions would not be triggered by this legislation. I don't know of any senator on either side of the aisle that is seeking to have automatic four percent of Medicare to go into effect. And I would ask unanimous consent that my exchange of correspondence with the Senate Majority Leader be entered into the Record at the conclusion of my statement. This pledge is ironclad and, I hope, reassuring to our seniors.

Madam President, I am also concerned about the inclusion of the repeal of the individual mandate of the Affordable Care Act as part of this tax bill. I don't think that the two issues should have been combined, but let me be very clear, I have never supported the individual mandate. There is a big difference between fining people who choose to go without health insurance versus the bills considered last summer and fall that would have taken away insurance coverage from people who have it and want it, and those bills also would have made sweeping cuts in the Medicaid program.

Madam President, the financial penalty under the individual mandate for failing to comply with it falls disproportionately on lower-income Americans: 80 percent of those who pay the fine make under \$50,000 a year. For many of these individuals, the cost of insurance under the ACA is simply unaffordable: individuals making 250 percent of the federal poverty level, that is just over \$30,000, are not eligible for the subsidies to reduce deductibles and other out of pocket costs that are known as the cost sharing reductions. So, essentially the insurance that they are being fined if they don't buy is virtually useless to them because the deductibles and the copays are so high, and if they make under 250 percent of the poverty level – under \$30,000 a year – they cannot afford it.

Madam President, I want to make an important point that has been overlooked in this debate. Any senator, Democratic or Republican, could have offered an amendment on the Senate floor to strike the repeal of the individual mandate. None – not one-- chose to do

so. That is telling indeed and reflects both how unpopular the mandate is and how burdensome its impact is.

Nevertheless, Madam President, repealing the individual mandate without other health care reforms will almost certainly lead to further increases in the cost of health insurance—premiums that are already too expensive under the ACA.

For these reasons, I have made it a priority to secure passage of two bipartisan bills that will help make health insurance more affordable. Shouldn't that be a goal that all of us can embrace, Madam President? Both of these bills have the support of the President, the Vice President, and the Senate Republican leaders. In fact, Majority Leader McConnell and I engaged in a colloquy affirming that commitment.

The first bill, The Bipartisan Health Care Stabilization Act, sponsored by Senators Alexander and Murray will provide vital funding to help low-income families pay their out-of-pocket costs, including deductibles and co-pays, associated with certain ACA health insurance. And I am proud to be one of the 22 cosponsors of the bipartisan Alexander-Murray bill.

The second is a bipartisan legislation I introduced with my friend and colleague, Senator Bill Nelson. It would protect people with pre-existing conditions while lowering the cost of health insurance through the use of high-risk pools. This plan will provide \$5 billion annually for two years in seed money for states to establish invisible high-risk pools or traditional reinsurance programs. And Madam President, we don't have to guess about the impact. I'm going to quote some actuarial studies shortly, but the fact is we know from experiences in the states like Maine and Alaska that high-risk pools can help to lower premiums substantially—by an average of 20 percent.

Analyses show that enactment of these two bills together will reduce the cost of health insurance, thus making it more affordable. According to analysis by experts at Oliver Wyman, the passage of these bills will more than offset the premium increases caused by the repeal of the individual mandate. In fact, Oliver Wyman suggests in its estimate that the \$5 billion in funding will be sufficient to allow states to leverage \$15 billion in reinsurance coverage. And that it would result in premiums that are more than 20 percent lower than if the individual mandate were repealed and the package of provisions were not implemented.

Furthermore, analysis by experts at Avalere project that:

In combination, CSR funding and \$5 billion in annual reinsurance could lower 2019 premiums by 18 percent and increase enrollment by 1.3 million people.

The National Association of Insurance Commissioners wrote that these two bills would significantly reduce health insurance premiums and help promote more stability in insurance markets. The NAIC said the following: "Providing reliable federal funding to reimburse health insurance carriers for the Cost-Sharing Reduction (CSR) program assistance that they give to low-income consumers and grants for states to establish invisible high risk pools or reinsurance

programs would reduce premium increases as much as 20 percent and could encourage some carriers to stay in the market.”

Madam President, in evaluating this bill, the question we should ask is not: “Does this tax cut make Washington better off?” The right question to ask is, “Does this tax cut make the American people better off”? The answer to that question is “Yes.”

The bill puts money back in the pockets of the American tax payer with tax cuts beginning January 1st. As soon as the IRS updates withholding tables this winter, taxpayers will see the benefit of this bill in their paychecks. Over time, Americans will also see more benefits from this legislation in the form of higher wages. Businesses, small and large, will make the investments that create more jobs.

I will cast my vote in support of the conference agreement on the Tax Cuts and Jobs Act. While it is by no means perfect, on balance, this reform bill will provide much-needed tax relief. It will benefit lower- and middle-income families, while spurring the creation of good jobs and greater economic growth for our nation.

Thank you, Madam President.