



Taxes Explained: 2025 Tax Fight Proposals

Proposals Are a Windfall for the Rich, Fall Short for Everyone Else

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Key Takeaways

Today, congressional Republicans are pushing tax reform proposals that would cost the country over \$5 trillion and would likely widen the racial wealth gap and slow economic growth.¹ Economic hardship plagues millions of hardworking families who face challenges from high costs, inflation, and corporate greed. Reforming the tax code to ensure more fairness, sufficient revenues to support the public good, and relief for everyday people is paramount to creating a healthier economy. These tax policies fall far short of that. While there is a lot to be learned in 2025, here are three main priorities from congressional Republicans and how they impact economic and racial equity.

Priorities	Impact	By the Numbers
Massive giveaways for corporations and big businesses	<p>Enriches executives and gives corporations more economic and political power, which they wield to influence elections and lobby lawmakers for more tax breaks²</p> <p>Slows economic growth due to sharp increase in the national debt³</p>	<p>Cutting corporate taxes cost the country \$1.3 trillion from 2018-2027.⁴</p> <p>The 296 largest U.S. corporations paid \$240 billion less in taxes from 2018 to 2021.⁵</p> <p>Black and Hispanic households received only 1 percent of corporate tax breaks in 2022.⁶</p>
Lower taxes for the ultrawealthy	<p>Widens racial income and wealth inequality and slows income growth⁷</p> <p>Means there is less tax revenue, which lawmakers propose to make up for by cutting funding for public goods and programs⁸</p>	<p>In 2025, the top 1 percent of taxpayers will see their tax bills reduced by over \$61,000.⁹</p> <p>If Congress passes President Trump's full tax agenda, middle-income tax payers could see their tax bills increase by \$1,530, while the richest 1 percent will receive on average a \$36,320 tax cut.¹⁰</p>
Slashing funding for Direct File and IRS	<p>Makes tax system and enforcement less fair and leads to disproportionate cost burden on Black and brown taxpayers while ultrawealthy households and corporations manipulate the system¹¹</p>	<p>If fully implemented across the country, Direct File could help low-income families receive more than \$12 billion in tax credits that they are not currently accessing.¹²</p> <p>Cutting funding for the IRS would add \$65.8 billion to the deficit over 10 years.¹³</p>

Background

Why is there a big focus on taxes this year?

During his first administration, President Trump and Republican members of Congress cut taxes for corporations and wealthy households in a major tax reform bill that did very little for households with low or moderate incomes. This bill, known as the “Tax Cuts and Jobs Act” (TCJA) cost the country \$2 trillion, widened inequality, and slowed economic growth.

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Some elements of the TCJA are set to expire at the end of 2025. President Trump and Republican lawmakers, who now have control of the Senate and the House of Representatives, want to extend the most inequitable elements of the 2017 tax bill by making permanent and even deepening tax cuts for wealthy households and corporations.

These tax cuts will be expensive: Extending the expiring elements of the TCJA alone would cost \$466 billion in just the first year and \$5 trillion over 10 years.¹⁴ This means there will be less money to invest in public goods and programs. Republican lawmakers are already threatening to pay for tax cuts for the wealthy by slashing funding for Medicaid, the Supplemental Nutritional Assistance Program (SNAP), and other safety net programs – changes that would affect over 70 million people and disproportionately harm Black and brown people.¹⁵

Impact on Equity

The proposals on the table in 2025 will be a major windfall for the ultrawealthy and corporations while deepening economic inequality and causing a generational setback for Black and brown families. Here are some of the ways they would worsen racial and economic inequality:

Giveaways to corporations and businesses

Cutting the corporate rate from 35 to 21 percent in 2017 contributed to inequity and wealth disparity and exacerbated racial inequality: Profits for the largest U.S. corporations increased by 44 percent after the TCJA, but workers earning less than \$114,000 received **no** benefits.¹⁷ In 2022, 88% of the benefit from the corporate tax cut went to white households, while Black and Latino households respectively received only about 1 percent of the benefits.¹⁸ **Further cutting the corporate rate will deepen disparities.**

Economic inequality

occurs when economic resources, such as wealth and income, are distributed unequally across a population. In the United States, economic inequality has been steadily widening. Since the 1970s, incomes for top earners have grown steadily while incomes for people on the low or middle parts of the income spectrum have stagnated or grown slowly. Wealth is also increasingly concentrated in the hands of the very few: The top 10 percent of households own over two-thirds of the nation’s wealth.¹⁶

The pass-through deduction is a tax cut for owners of businesses and overwhelmingly benefited the richest households. In 2019, 64 percent of the benefits from this tax cut went to households earning over \$410,000. In 2023, 90 percent of the benefit from the pass-through deduction went to white households, while Black households received 5 percent of the benefit and Hispanic households received only 2 percent.¹⁹ **Extending the pass-through deduction will widen inequality by cutting taxes for wealthy, mostly white business owners, while costing the country \$770 billion in revenue over 10 years.**²⁰

Lowering taxes for the ultrawealthy

The 2017 tax law temporarily doubled the estate and gift tax exemption, allowing a wealthy couple to pass down or transfer \$22 million in wealth without paying taxes.²¹ Policies like this reward wealth hoarding, which worsens the racial wealth gap because Black households are much less likely to benefit from large inheritances. In 2022, white households held about 85 percent of wealth, compared to 6 percent for Black and Latino households. The estate and gift tax is the federal government's only tool to directly address this massive disparity. **Maintaining this policy will allow ultrawealthy, mostly white households to continue accumulating massive fortunes tax-free, doing little to support Black wealth-building, while costing the country over \$167 billion in revenue.**

The TCJA also lowered taxes for the highest-income households, those earning \$600,000 or more. In 2026, changes to the individual income tax code that benefits the highest-income earners will cost the country \$201.9 billion.²³ **Extending this provision will continue to widen income inequality while costing the country billions of dollars that could be spent on public goods.**

Slashing funding for Direct File program and Internal Revenue Service

The Direct File pilot program launched in 2024 in 12 states, allowing taxpayers to file directly with the IRS for free instead of paying private preparers. Direct File makes tax filing easier and cheaper and also helps people more easily access credits like the EITC (which 1 in 5 eligible households currently do not receive) and the Child Tax Credit (CTC).²⁴ Once fully implemented, Direct File could save taxpayers \$11 billion per year.²⁵

The racial wealth gap

is the uneven distribution of wealth between white households and households of color. The racial wealth gap is particularly pronounced between white and Black households and is a direct result of the legacy of slavery and generations of policymaking that have hindered the ability of Black Americans to access and grow wealth. In 2022, the median white household held more than six times the wealth of the median Black household.²²

The Direct File program improves racial equity in tax filing by giving Black and brown families, who have historically been targeted by predatory storefront tax preparers, an option for free, high-quality tax services.²⁶ **Eliminating Direct File would raise costs for low- and moderate-income taxpayers and restrict their access to tax credits and refunds for which they are eligible.**

The IRS is responsible for making sure households and corporations are paying their fair share in taxes. When the IRS does not have proper funding, it makes the tax system less fair because the IRS has fewer resources to enforce taxes on wealthy households. In the past, significant funding cuts to the IRS led to a 76 percent drop in audits of wealthy individuals.²⁷

Reduced IRS funding impairs the agency's ability to enforce tax compliance among wealthy households and leads to disproportionate auditing of simpler returns, including EITC recipients.²⁸ Because taxpayers claiming the EITC are more likely to be Black taxpayers, this has resulted in Black families being audited 3-5 times more frequently than non-Black households.²⁹ **Cutting funding for the IRS means that the agency cannot do its job effectively, allowing wealthy taxpayers and corporations to evade paying their full tax obligation while over-auditing Black and brown taxpayers.**

Policy Recommendations to Advance Equity

This year is a pivotal year for tax policy, and we have an opportunity to advance tax justice by fighting cuts that favor the wealthy and supporting policies that reduce racial economic disparities. Congress should make the tax system more equitable by requiring the wealthy and corporations to pay their fair share and invest in public goods that benefit us all, like education, family care, housing, and health care. Our tax system needs reform to ensure that all people, particularly Black and brown people who have been historically excluded from economic opportunity, can achieve economic security and mobility. Congress can start by:

- Ending massive giveaways to corporations by raising the corporate rate and eliminating the pass-through deduction, which primarily benefits white, wealthy households, while doing little for low- and moderate-income households
- Ending income tax cuts for the wealthiest households, raising the estate and gift tax threshold, and closing the many loopholes and exemptions that allow ultrawealthy, mostly white households to pass on massive fortunes tax-free while doing little to support Black families to build and sustain wealth
- Rejecting proposals to slash funding for the Direct File program and the IRS. Fully funding both the IRS and Direct File will ensure more-equitable and effective tax enforcement while offering taxpayers access to free, high-quality tax preparation.

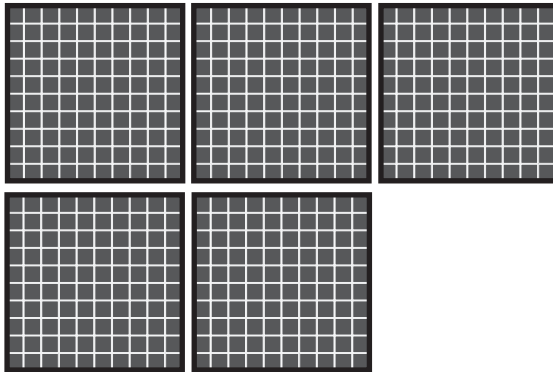
What \$5 Trillion Could Pay For

All costs over 10 years

■ = \$10 BILLION

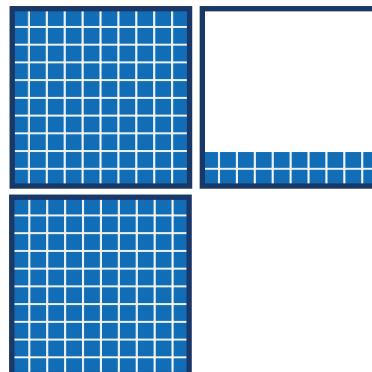
Extending the 2017 tax cuts past 2025

\$5 Trillion



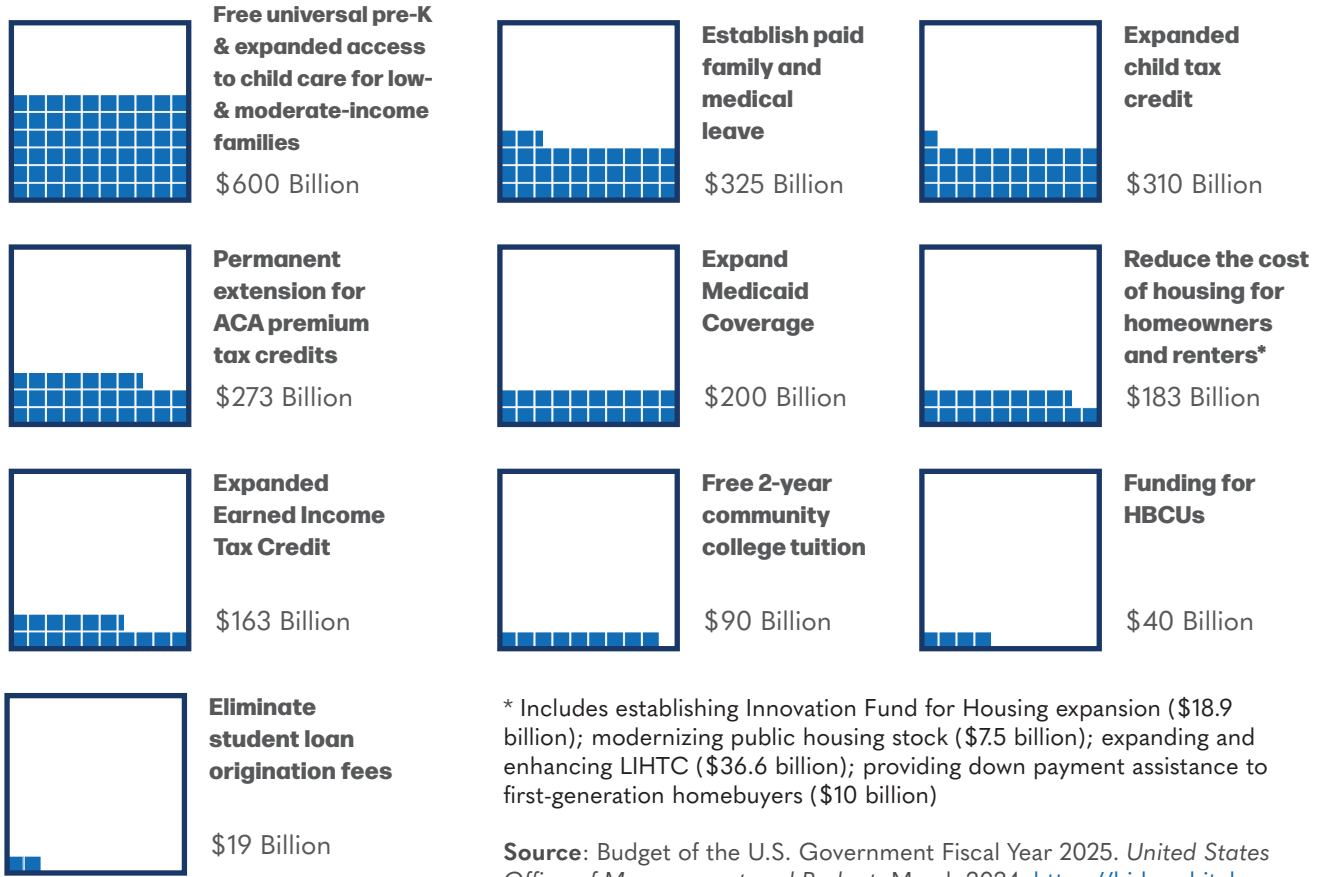
Funding programs that create thriving communities

~\$2.2 Trillion



OR

Including:



Source: Budget of the U.S. Government Fiscal Year 2025. United States Office of Management and Budget. March 2024. https://bidenwhitehouse.archives.gov/wp-content/uploads/2024/03/budget_fy2025.pdf

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Our Work to Build Power

For decades, Dēmos has been committed to advancing racial justice by working at the intersection of economic justice and democracy reform. Our recent publication, the [Dēmos Power Agenda: A Framework for Building People Power](#), outlines our vision for creating a just, inclusive, multiracial democracy and economy. The [Power Scorecard](#) offers a data framework and tool to establish a baseline of the current economic, civic, and political conditions we face as we fight for that multiracial democracy and economy.

About Dēmos

Dēmos is a non-profit public policy organization working to build a just, inclusive, multiracial democracy and economy. We work hand in hand to build power with and for Black and brown communities, forging strategic alliances with grassroots and state-based organizations.

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