



May 14, 2020

## **Key Vote NO on the HEROES Act, H.R. 6800**

On behalf of our activist community, I urge you to contact your representative and ask him or her to vote NO on the Health and Economic Recovery Omnibus Emergency Solutions (HEROES) Act, H.R. 6800. The HEROES Act is a \$3 trillion, 1,800-page partisan messaging bill that has no chance of becoming law. Speaker Nancy Pelosi (D-Calif.) knows that this bill won't become law. Yet, she is forcing the House to vote as a political stunt, after refusing to bring the House back into session last week due to concerns of containing the spread of COVID-19. This is blatant hypocrisy at its worst.

Congress has already passed four bills in response to COVID-19 with a total cost of \$3.6 trillion, according to the Committee for a Responsible Federal Budget. As a result, the Congressional Budget Office (CBO) projects that the federal budget deficit for FY 2020 will reach \$3.7 trillion, or 17.9 percent of gross domestic product (GDP). This is a level not seen since the end of World War II. The share of the debt held by the public will reach 101 percent in FY 2020, which is also a level not seen since the end of World War II. It is also concerning that prior to COVID-19, America wasn't projected to reach this level of debt until 2030. This means within a matter of months, we've accelerated our out-of-control spending by nearly a decade and the threat our national debt poses along with it.

Nearly all of the HEROES Act is a wishlist of far-left demands, several of which are unrelated to COVID-19. The HEROES Act would bail out state and local governments to the tune of nearly \$1 trillion. Many states seeking this bailout have been fiscally mismanaged for years. For example, although Florida and New York are similar in size, New York [spends roughly twice as much per capita](#) and has the [highest tax burden per capita in the United States](#), according to the Tax Foundation. Perhaps this explains why [people have been leaving New York over the past few years](#).

Not only does this funding to state and local governments reward years of fiscal mismanagement, but it also comes with a perverse incentive. Governors partially shut down their economies, allowing only businesses deemed "essential" businesses to operate. Of course, these shutdowns have led to substantial reductions in revenue collections. If Congress bails out state and local

governments, there will be an incentive for governors to, once again, partially shut down their economies if there is another wave of COVID-19 cases later in the year or next year, or even to extend existing shutdown mandates further without even attempting to reopen first.

Section 2104 of the CARES Act provides an additional \$600 per week payment for those who have filed for, and are receiving, unemployment benefits. The additional payment is available for four months and comes on top of what the claimant receives through his or her state. Although enhanced unemployment benefits in the midst of this crisis may be necessary, the size of the subsidy, if it's greater than the claimant's previous wages, brings problems.

Congress has created an incentive for those who can work to stay on unemployment rather than seek a job as the economy begins to recover. In many instances, a worker can earn more on unemployment because of the additional benefits in the CARES Act than in a job. This problem has already been reported by some media outlets, such as [Politico](#) and [CNBC](#).

The HEROES Act would extend these enhanced unemployment benefits past the current deadline of July 31, 2020 to January 31, 2021 and create a supplemental period of March 31, 2021 for those whose benefits have not been exhausted. This would only further prolong the economic recovery, putting employers, who will undoubtedly need workers to fill jobs, in direct competition with the federal government paying individuals not to work.

Pelosi is proposing the restoration of the state and local tax (SALT) deduction for tax years 2020 and 2021. Prior to the passage of the Tax Cuts and Jobs Act in December 2017, tax filers who itemized could claim their state and local taxes as a deduction, reducing their overall tax liability. Of course, those who claimed the SALT deduction tended to be high-income earners from high-tax states. According to data provided by the Internal Revenue Service for tax year 2017, about 31 percent of tax filers itemized their deductions, but 93 percent of tax filers who reported income above \$200,000 itemized.

The Tax Cuts and Jobs Act capped the deductibility of SALT at \$10,000. Capping the deduction not only raised revenue to help offset losses in revenue through tax cuts, but it also mitigated the perverse incentive of blue state governors and legislatures to increase tax burdens while knowing that those tax burdens may, at least in part, be subsidized by the federal government through the SALT deduction, which overwhelmingly benefits higher-income earners, who are much more likely to itemize than lower- and middle-class tax filers.

The HEROES Act includes a \$25 billion bailout for the U.S. Postal Service on top of the \$10 billion line of credit Congress extended to it in the CARES Act. The U.S. Postal Service (USPS), which is in dire need of structural reform, has lost nearly \$78 billion since 2007 and, according to the

Government Accountability Office (GAO), [had unfunded liabilities and debt totaling \\$143 billion](#) as of FY 2018. COVID-19 has had an impact on mail volume, but the U.S. Postal Service's serious financial problems existed before this crisis. Bailing out the U.S. Postal Service won't address the underlying issues of an antiquated federal agency that continues to rely on a failed business model. The USPS should be privatized, not bailed out by taxpayers for its ineptitude.

Among its many, many other provisions, the HEROES Act includes expansions of welfare programs like the Supplemental Nutrition Assistance Program (SNAP) and Medicaid. The bill would also provide another round of tax rebate payments, send money to states for highways and mass transit, impose mandates on states for federal elections, bail out failing union pension plans, prohibit cost-sharing for any COVID-19-related treatment, and create a contract tracing initiative.

There has been much made of red lines in media reports on another potential phase in response to COVID-19. The policy proposals mentioned here, as well as many not mentioned, are not only ones we strongly oppose in the HEROES Act but that we would also oppose in a bill that actually had a chance of passage through both chambers.

Given the harsh impact of COVID-19 in federal and state prisons and local jails, there are several criminal justice-related provisions of the HEROES Act that FreedomWorks supports or supports the spirit of in order to slow the spread of the virus inside and outside of prisons and jails, although revisions to such provisions will likely need to be made to gain full support from conservatives.

We vehemently oppose the HEROES Act in full because of how much it spends, how it allocates money, and the massive degree to which it grows the size and scope of government. However, FreedomWorks has supported efforts to reform the criminal justice system, including the First Step Act and the Fair Chance Act, and has continued to support bills that would enhance public safety through recidivism reduction, make technical fixes to the First Step Act, further reform outdated sentencing statutes, and expand compassionate release of nonviolent elderly offenders.

It is extremely unfortunate that House Democrats have politicized criminal justice reform in this bill by not seeking consultation with those on the other side of the aisle who vehemently support criminal justice reform measures. We strongly caution members not to further politicize what has been a rare bipartisan success.

FreedomWorks will count the vote for the HEROES Act, H.R. 6800, when calculating our 2020 Congressional Scorecard and reserves the right to score any related procedural votes or amendments, as well as to weight any votes. The scorecard is used to determine eligibility for the FreedomFighter Award, which recognizes members of the House and Senate who consistently vote to support economic freedom and individual liberty.

Sincerely,

A handwritten signature in black ink, appearing to read 'A. Brandon', with a stylized flourish at the end.

Adam Brandon  
President, FreedomWorks