



September 30, 2020

## **Key Vote NO on the Heroes Act 2.0, H.Amdt. to S.Amdt. to H.R. 925**

On behalf of our activist community, I urge you to contact your representative and ask him or her to vote NO on House Democrats' new Heroes Act 2.0, the H.Amdt. to the S.Amdt. to H.R. 925. The vote on the Heroes Act 2.0 comes at a time when House Speaker Nancy Pelosi (D-Calif.) and Senate Minority Leader Chuck Schumer (D-N.Y.) have refused to negotiate in good-faith with the White House on another COVID-19 relief package. Although Pelosi and Schumer have lowered their top-line price tag for another COVID-19 relief package to \$2.2 trillion from \$3.5 trillion, the \$2.2 trillion demand is still nearly \$1 trillion higher than what President Trump will sign.

The updated Heroes Act 2.0 comes not long after some House Democrats sent a letter to Pelosi, in which they wrote, "[I]t is essential that we send the Senate a compromise bill before the election that is reasonable and that can be signed into law by the President of the United States." Facing this increased pressure from some members of the House Democratic Caucus, Pelosi directed committees to begin drafting another with a price tag of \$2.2 trillion.

According to the Congressional Budget Office (CBO), the iteration of the Heroes Act passed by the House, H.R. 6800, in May [would have cost nearly \\$3.5 trillion](#). The Senate didn't consider H.R. 6800 and Democrats blocked consideration of a targeted bill -- the Delivering Immediate Relief to America's Families, Schools and Small Businesses Act -- in early September.

The Heroes Act 2.0 that the House will consider this week will cost between \$2.2 trillion and \$2.4 trillion. This updated Heroes Act 2.0 won't be considered in the Senate and won't be signed into law by President Trump.

Much like the version of this bill passed by the House in May, this 2,154-page Heroes Act 2.0 includes a wishlist of far-left demands, many of which aren't related to the COVID-19 pandemic.

Congress has already appropriated [\\$357 billion for states](#) in response to COVID-19, according to the Committee for a Responsible Federal Budget. This previously appropriated money includes the \$150 billion committed to state and local governments through the Coronavirus Relief Fund (CRF)

included in the CARES Act. However, as of August 2020, [only 34.2 percent of the CRF money has been spent](#).

The money to states and local governments in the Heroes Act 2.0 is little more than a giveaway. Chris Edwards of the Cato Institute [notes](#) that the decline in revenues to state and local governments between the first quarter and the second quarter of 2020 is about 3 percent. The Tax Foundation [explains](#) that the total revenue loss for states in FY 2020 is “just under \$200 billion.” It’s true that state and local governments have experienced revenue shortfalls as a result of the pandemic, but the revenue losses that state and local governments have seen can be addressed by cutting spending.

The Heroes Act 2.0 includes several tax-related provisions, including bringing back the full state and local tax (SALT) deduction and another round of so-called “stimulus checks.”

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. Those who claim 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 2.0 would eliminate the cap and restore the state and local tax (SALT) deduction for tax year 2020, but the [goal of Pelosi and Schumer is to permanently restore this tax break for higher income earners in blue states](#).

The stimulus payments provisions of the CARES Act -- often referred to as “recovery rebates” -- provided an individual tax filer who had an adjusted gross income (AGI) of up to \$75,000 with a \$1,200 payment. A joint filer with an AGI of up to \$150,000 received \$2,400. An additional \$500 per child under the age of 17 was also available. These direct payments were provided on top of a tax refund for tax year 2020.

The income levels were based on filings for tax year 2019 if the return had been filed. If the 2019 return hadn’t been filed, the filing for tax year 2018 was used to determine AGI. Apart from the income thresholds, the tax filer couldn’t be a dependent and had to have a valid Social Security number.

There was not a minimum income threshold to qualify for a direct payment. There was an income phase-out. Individual tax filers who had an AGI that exceeded \$75,000 and joint filers with an AGI that exceeded \$150,000 saw a \$5 reduction per \$100 of income over the threshold. Individuals who had an AGI exceeding \$99,000 and joint filers with an income exceeding \$198,000 didn't receive any direct payments.

Consistent with [past research](#), a recent study found that [most Americans saved or paid down debt with the so-called "stimulus check"](#) that was included in the CARES Act. These payments may be politically popular, but it does little to boost the economy. The Heroes Act 2.0 would do another round of these payments, expanding the \$500 per child to \$500 per dependent.

Section 2104 of the CARES Act provided an additional \$600 per week payment for those who have filed for, and are receiving, unemployment benefits. This enhanced unemployment insurance benefit, which was in addition to the unemployment insurance benefits available from states, has since expired. One of the concerns about the \$600 weekly payment was that it would discourage those who had lost their jobs from returning to the workforce. According to [a study from the Becker Friedman Institute at the University of Chicago](#), 68 percent of unemployed workers earned more on unemployment than they would have earned in the workforce.

Like the original version of the bill passed in May, the Heroes Act 2.0 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.

The Heroes Act 2.0 also contains the text of the ACCESS Act as Division P, which unconstitutionally usurps states' authority to regulate their own elections while greatly decreasing their ability to prevent voter fraud. In addition, the requirements would be absolutely impossible for states to implement with just a month to go until Election Day, likely throwing the election process into even greater chaos.

We do note that there are provisions in the Heroes Act 2.0 that address the criminal justice system, including helping federal prisons respond to COVID-19, second-chance initiatives for prisoners who are returning to society, community supervision and juvenile justice programs, and providing for compassionate release of nonviolent offenders. FreedomWorks is very sympathetic to these provisions. It's unfortunate that these worthy provisions have been included in a bill that has no chance of passage. We do hope that negotiators will prioritize these provisions and include them in

a bipartisan bill or that these provisions will be included in a separate bill that actually has a chance of passage.

FreedomWorks will count the vote for the HEROES Act 2.0, the H.Amdt. to the S.Amdt. to H.R. 925, when calculating our 2020 Congressional Scorecard and reserves the right to score any related 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 'Adam Brandon', with a stylized, flowing script.

Adam Brandon  
President, FreedomWorks