

Working Americans' Tax Cut Act

Led by Senators Van Hollen, Kelly, Gillibrand, Booker, and Kim and Representative Beyer

Working American families should be able to afford their basic cost of living expenses. But as wages remain stagnant and prices rise, this simply is no longer the case. What's more, with the passage of their "One Big Beautiful Bill," Republicans provided massive tax breaks to the wealthy but only small, temporary relief to working families – all while ballooning our national debt. Their legislation coupled with Trump's tariff policies will raise the cost of living for working Americans by increasing health care, grocery, and energy costs. Our legislation does the opposite: it provides broad, permanent tax cuts to working families and avoids raising the national debt by ensuring that the wealthiest pay their fair share. This bill will work to address the dramatic increases in costs that Americans are facing – putting money back in their pockets to help ensure they can meet their most basic needs. It will also ensure that Americans who are just able to make ends meet pay no income taxes while those on the other end of the spectrum contribute to shared prosperity and opportunity for all.

How It Works:

The Working Americans' Tax Cut Act provides needed tax relief for working Americans—whether they are a single adult, a head of household, or a married couple filing jointly—by reducing their federal income taxes based on their income to help ensure they can afford their cost of living expenses. To pay for the tax cut, the legislation institutes a tiered surtax on millionaires.

- The median cost of living for a single adult with no children in the United States is estimated to be \$46,000 a year.¹ Individuals who earn less than that will not pay federal income taxes.
- For individuals with income ranging from \$46,000 to \$80,500, the legislation provides a significant tax break to also combat cost of living expenses. It phases out this cost of living exemption at 175% of the median cost of living for a single adult with no children. As a result, a person making between \$46,000 and \$80,500 a year would have a lower tax rate using this exemption than they do under the current tax system. To illustrate, a single person who makes \$50,000 would typically receive a tax cut of approximately \$2,800.

¹ This number is based on a 2025 nationally aggregated living wage estimate for a working adult with no children based on county-level data publicly featured on the [Living Wage Calculator](#) website and produced by the [Living Wage Institute](#). The living wage is a geographically-specific concept, and the national aggregate functions as a high-level reference point. To learn more about the living wage in your specific area, please visit the [Living Wage Calculator](#).

- The bill includes a larger exemption for heads of households (140% of the single exemption or \$64,400) and for married couples filing jointly (200% of the single exemption or \$92,000). These exemptions will also phase out at higher rates, with heads of households making between \$64,400 and \$112,700 a year and married couples making between \$92,000 and \$161,000 a year receiving a tax cut under this legislation. For example, a family of four who makes \$95,000 would typically receive a tax cut of approximately \$6,000 due to the cost of living exemption.

Who Benefits?

According to an analysis by the Institute for Taxation and Economic Policy, nearly 130 million people, including over 25 million children, would receive a tax cut via this legislation. Taxpayers making less than the median cost of living would pay no federal income tax, and those in the bottom 80th percentile of the income distribution would also receive a significant tax break.

Fully Paid For:

Unlike the Republican law that explodes the deficit, the bill fully offsets the cost of its tax cuts, by ensuring the wealthy pay their fair share. The tiered millionaires surtax would apply an additional 5 percent tax to the first dollar an individual makes over \$1 million and married couples make over \$1.5 million annually; an additional 10 percent tax to the first dollar an individual makes over \$2 million and married couples make over \$3 million annually; and an additional 12 percent tax to the first dollar an individual makes over \$5 million and married couples make over \$7.5 million annually. This surtax would apply equally to wages and salaries as well as to capital gains and other investment income. The Yale Budget Lab has estimated that this surtax would impact 615,000 tax filers and raise \$1.46 trillion over ten years.

Cosponsored by:

Senators Richard Durbin, Bernie Sanders, Jeff Merkley, Chris Coons, Richard Blumenthal, Brian Schatz, Tammy Baldwin, Mazie Hirono, Martin Heinrich, Angus King, Ed Markey, Peter Welch, Adam Schiff, and Lisa Blunt Rochester

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