Pilla Talks Taxes

DAN PILLA'S MONTHLY TAX AND FINANCIAL BULLETIN

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IRS Initiates New Offer In Compromise Policies

Two Important Changes Will Help Those Facing Hardship

An Offer in Compromise (OIC) is the IRS's flagship settlement program. It allows both individuals and businesses to settle tax debts for less than what is owed. There are four different OIC programs available, depending upon one's circumstances. The most common is the OIC based on doubt as to collectability. Under this program, the IRS determines one's ability pay based upon income, expenses, assets and liabilities. Assuming one offers an amount equal to his full "reasonable collection potential," the IRS forgives the balance of the liability, providing the delinquent citizen with a clean slate going forward. For the details on all four OIC programs, see chapter 12 of ***How to Get Tax Amnesty***.

An accepted OIC comes with terms. Most notably, the citizen is required to file future tax returns on time, and pay all future taxes in full and on time, for the next five years from the date the offer is accepted. If one fails to meet future compliance obligations during that five-year period, the IRS can default the accepted offer and reinstate the full liability.

In addition, the terms state that the IRS will keep certain refunds due to the taxpayer even after the OIC is accepted. The IRS will keep all refunds due for tax years up to and including the tax year in which the offer is accepted.

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For example, suppose your OIC is accepted in June 2021. You were on an extension to file your 2020 tax return, and did so in October 2021. You were owed a refund. The IRS will keep that refund since it was owed "in the year" in which the offer was accepted (2021). Now suppose that when you file your 2021 tax return in April 2022, you are owed a refund of $1,000. The IRS will keep that refund also, since it was owed "for the year" (2021) in which the offer was accepted.

As such, the IRS can offset up to two additional refunds even after it has accepted an OIC. If a refund is issued in error, the taxpayer must return it to the IRS. Furthermore, the taxpayer is not allowed to apply the overpayment as a credit to the following year's tax liability. For all the terms and conditions applicable to an OIC, see IRS Form 656, *Offer in Compromise*, Section 7, pg 5.

The Form 656 is the Offer in Compromise "contract." The terms are set by the IRS as conditions for accepting an OIC. The refund offset rules discussed above are not statutory. They are discretionary. As such, the IRS has the authority to, and from time to time does, change the terms. And recently, it just did.

NEW OFFER IN COMPROMISE POLICIES

Effective November 1, 2021, the IRS changed its refund offset policy. See: IRS Memo. SBSE-05-1021-0063, October 28, 2021. The new rules create two important changes. First, they allow taxpayers to keep their tax refunds once the IRS accepts an OIC. Secondly, certain taxpayers may seek to recover refunds kept by the IRS while their OICs are under consideration. These changes, the second in particular, will help citizens who are experiencing hardship while working through the OIC process. I discuss each of the changes in detail below.

1. No refund offsets. Effective November 1, 2021, the IRS will no longer offset (that is, *keep*) refunds *for the calendar year for which the OIC is accepted*. For example, assume that on November 15, 2021, the IRS accepts an OIC for years 2015 and 2018. Under the new guidance, the IRS will no longer offset the refund due on the 2021 tax return filed the next year.

IRS Memo SBSE-01-1021-0063 provides the following examples of how this is to work.

> **EXAMPLE:** The taxpayer has an offer accepted November 15, 2021 (TC 780). A tax return for calendar year 2021 is assessed May 15, 2022 (TC 150), in which an overpayment is shown on

the return in the amount of $1,000. Monitoring OIC unit will take no action to recoup the taxpayer's refund (overpayment) since the TC 150 date is after the offer acceptance.

EXAMPLE: The taxpayer has an offer accepted November 15, 2021 (TC 780). The taxpayer filed a tax return for calendar year 2020 with a TC 150 date of October 15, 2021, showing an overpayment which offset to the outstanding tax liability on October 20, 2021. Since the systemic offset took place prior to the offer acceptance, there was no overpayment available for refund when the offer was accepted.

About 85% of all taxpayers get a refund (because they overpay their taxes). Given this fact, the change in the refund offset policy is a big deal. People facing financial hardship often rely heavily on their refunds to meet basic living expenses.

Refunds are often created not so much through over-withholding, but as a result of the application of the Earned Income Tax Credit (EITC) and the Additional Child Tax Credit (ACTC). These are welfare programs created by Congress and administered by the IRS. They operate as subsidies for low-income citizens. According to the National Taxpayer Advocate, of the OIC's filed in 2019 and 2020, about 13% claimed EITC the previous year, and approximately 40% were considered "low-income" for OIC purposes.

The IRS is now in the process of updating Form 656 to remove the refund offset language explained above. Note, however, that refund offsets will continue until the OIC is accepted, per the provisions of Code § 6402(a) (as shown in the above examples). In the meantime, before the new Form is released, the IRS will provide offer filers with a notice explaining this modification to the offer terms.

As part of the revision to the offer terms set out in Form 656, the IRS will require taxpayers to agree that they will not file an amended return for tax years included on Form 656. This seems superfluous since an accepted OIC closes entirely all consideration for any year covered on Form 656. Further, citizens must agree to return any refunds received if an amended return is filed for any year before the OIC's acceptance. Any erroneous refund must be returned within 30 days of receiving it.

There is an important exception to this new offset policy. If, after the IRS accepts an OIC, the taxpayer files an amended return requesting a refund for a year *not* covered by Form 656, the IRS will keep that refund.

IRS Memo SBSE-01-1021-0063 (pg 2) provides the following example:

> An offer in compromise is accepted November 15, 2021 for tax periods 2017 and 2018. The taxpayer timely filed a return for tax year 2020 with a balance due of $500 that was full paid with the return. The return was assessed (TC 150) on October 15, 2021. On January 15, 2022, the taxpayer files an amended 2020 tax return showing a refund of $10,000. In this instance, since the refund is attributable to an amended return for a tax year not included on the Form 656, the refund offset may still take place.

The idea is that the refund is an asset which should have been disclosed to the IRS as part of the OIC investigation.

Refund offsets will also continue for years not covered by the offer. For example, suppose your offer is accepted on November 15, 2021, for years 2015-2018. On May 15, 2020, you filed your 2019 return showing an additional tax owed of $1,000. Prior to the IRS defaulting the accepted offer, you file your 2021 return showing a refund due of $1,000. The IRS can offset that refund to the 2019 unpaid liability since 2019 was not covered by the accepted OIC.

2. <u>The Offset Bypass Refund remedy</u>. The Offset Bypass Refund (OBR) remedy is an important—and little-known—tool available to low-income citizens facing financial hardship. And now it's available during a pending OIC negotiation.

As we know, the IRS may offset a refund and apply it to a delinquent federal tax liability, per Code § 6402. The IRS *must* offset refunds when the citizen owes any other federal debt (student loans, for example) or a state tax liability. However, if a citizen has only a federal tax liabil-

ity, the IRS can forego the offset if the citizen is experiencing financial hardship. In that case, the IRS will issue the refund despite the delinquent liability for prior years. This is referred to as an Offset Bypass Refund. Just as the name implies, the IRS agrees to bypass the refund offset and send the money back to the taxpayer.

An OBR generally is possible: a) before the IRS applies the refund to a prior liability, and b) when the citizen establishes that he is facing financial hardship. Financial hardship is defined under Code § 6343 and its regulations as the inability to pay basic necessary living expenses due to the actions of the IRS. The "hardship" concept, and how to prove it, is discussed at length in chapter 6, ***How to Get Tax Amnesty***.

Once hardship is established, the IRS will bypass only enough of the offset as to alleviate the hardship. For example, suppose a taxpayer has a refund of $4,000 and outstanding delinquent tax liabilities of $10,000. In that case, the IRS will apply the total refund against the delinquency. The taxpayer will get nothing.

But suppose the taxpayer needs that refund to pay necessary living expenses. Say, for example, he is delinquent by $2,000 on his home mortgage and another $1,000 in past utility bills. He is facing shut-off notices from the utility company and growing late fees and default threats from the mortgage company.

In that case, the OBR procedures allow the IRS to bypass the refund offset and return to the taxpayer so much of the refund as is necessary to ameliorate the hardship. In my example, the taxpayer could get back $3,000 of the $4,000 offset. See: IRM part 21.4.6.5.11.1 (11-08-2017) Offset Bypass Refund (OBR).

For citizens who submitted an OIC, the OBR remedy was unavailable. Under the new procedures the IRS is allowing taxpayers experiencing hardship to seek OBRs even while their OICs are *pending,* and before its acceptance. Upon proof of a hardship, such individuals would be able to retain all or part of their refunds that otherwise would have been lost. The procedures to follow when seeking an OBR are discussed in the following article.

CONCLUSION

As the COVID-19 state of emergency continues, as inflation rapidly drives up the cost of living right before our eyes, and as we face even more uncertainty as employers and government agencies consider employee vaccination mandates, I believe financial hardship conditions are only going to get worse. These two changes to the OIC program will no doubt help both low-income citizens, and those experience hardship for any reason.

The Offset Bypass Refund

Unknown Procedures for an Unknown Remedy

If you never heard of the Offset Bypass Refund (OBR) remedy before reading the above article, you're not alone. At present, the IRS has no form or instructions for requesting an OBR. And a search of the IRS's website will not find any direct references to either "OBR" or "Offset Bypass." The place you find information on the OBR is the Internal Revenue Manual (IRM). And even at that, the guidance provided is to IRS employees, not to taxpayers seeking relief. The bottom line is that you have no way to know about this without being told by the IRS—and this is quite unlikely to ever happen.

IRM part 21.4.6.5.5 (09-22-2017), Hardship Refund Request, addresses the rules regarding hardship refund requests generally, and that portion of the manual points the reader to IRM part 21.4.6.5.11.1, Offset Bypass Refund (OBR), for the discussion of the OBR program. As far as the public is concerned, the IRM directs taxpayers to the IRS's account services

ACS lines or to the Office of the Taxpayer Advocate.

Perhaps the most important thing to know about OBR is that time is of the essence when requesting this relief. The reason is that an OBR request must be received by the IRS *prior to* the posting date of the offset. This means that by the time the citizen receives the written notice of the offset in the mail (IRS Notice CP49) explaining that the refund was offset to another liability, it is too late to request OBR relief.

IRM part 21.4.6.5.11.1(6) reads as follows:

> Once the tax is assessed (23C date) [for the year in which the overpayment is shown], the overpayment is created and the offset occurs [to the older year]. There is no longer any overpayment to refund and the OBR cannot be initiated; however, if a freeze code or other condition exists on the account, preventing the overpayment from offsetting to the outstanding liability, an OBR can be initiated because the overpayment is still available on the module. See paragraphs (9) and (10) below for additional details.

So the question is, how does one get a "freeze code or other condition" posted to one's account such as to prevent the offset? The answer: nobody knows because there is no form or instructions, nor is there any administrative guidance on how to do so. This dearth of information is reminiscent of the "old days" when the IRS had no forms or instructions available for lien releases, withdrawals or subordinations. I literally had to make up my own (see ***Taxpayers' Defense Manual***) and just follow my gut on executing the procedures.

One thing is for sure: you cannot wait until you've been notified of the offset because by then it's too late. And once an offset occurs, it generally cannot be reversed. Thus, you must contact the IRS immediately upon the filing of the return that shows the overpayment. At the time of the contact, you must be prepared to provide a copy of the return (which would *not* have posted as of the date of your call) and all supporting documents needed to prove the hardship. See chapter 6 of ***How to Get Tax Amnesty*** for a full discussion of what this looks like.

While the IRM recommends contacting ACS, the better approach may be to file a Form 911, *Application for Taxpayer Assistance Order*, with your local Office of the Taxpayer Advocate (TA). The TA has authority to step in where hardship is established and can take the lead on OBR requests. That said, the IRM is clear that ACS account services personnel are to consider OBR requests as a priority and are instructed that, "A request for an OBR must be worked immediately upon receipt." IRM part 21.4.6.5.11.1(3).

Regardless of what direction you go, you must get confirmation that the appropriate "freeze code" is posted to the account to prevent the refund from being offset. Otherwise, as stated, it's just gone—period.

CONCLUSION

The IRS must provide guidance on the benefits of, and procedures for, seeking OBRs. Given the widespread hardship that exists out there today, and the fact that such hardship circumstances are only growing, it is crucial that people know that these procedures are available and how to use them.

How You Can Ask Dan Pilla a Question

If you have questions or problems you'd like Dan Pilla to address, please write to Dan at:

215 W. Myrtle Street
Stillwater, MN 55082

or e-mail to:

expert@taxhelponline.com

Write the word "newsletter" in the subject line.

The 2021 Paul R. Tom Award

And the Winner Is…

Paul R. Tom, Attorney at Law

As many of you know, we lost our good friend and colleague Paul Tom in December 2017. In our newsletter tribute to Paul in January 2018, I stated that his memory will live on in TFI/TDI through the annual presentation of the Paul R. Tom Award for Outstanding Contributions to the Mission and Goals of the Tax Freedom Institute/Taxpayers Defense Institute. The 2018 Paul R. Tom Award—the very first—was presented to Paul posthumously through his wife, Melissa.

On Monday, November 8, 2021, on the first day of the Defense Conference, I presented the fourth Paul R. Tom Award.

The award winner was determined on the basis of the model that was created by Paul Tom himself. Paul was selfless in giving his time to those who needed help. He was willing and anxious to contribute articles to the newsletter, which he did often. He was a speaker at past conferences. And, he was always present on our email list answering questions and giving guidance. He loved TFI/TDI and its members. He was completely dedicated to our mission as evidenced by the fact that he never missed a single conference. He even attended the 2017 conference at a time when he was quite ill.

On top of all that, Paul was my friend. I greatly valued that relationship and his counsel, which I leaned on regularly. I miss him every day. But as we march on, please help me congratulate our fourth Paul R. Tom Award winner. We selected this person because he most closely resembles Paul's dedication and commitment to TFI/TDI.

AND THE WINNER IS…

Larry Stephens, CPA and Charter Consulting Member of TFI/TDI

As a charter member of TFI/TDI, Larry has been with us since the very beginning of this organization, which was 1993. That means he's been on board with us for 28 years! That's quite an accomplishment in itself.

It is my honor to present Larry Stephens with the 2021 Paul R. Tom Award. Thank you, Larry, for your dedication and commitment to this organization. In addition to Larry's many contributions to TFI/TDI over the nearly three decades of its existence, his most remarkable achievement—and one which is unmatched by any other current member—is his *perfect attendance* at every single Taxpayers Defense Conference, *without exception*. That's right. Larry has attended and participated in every conference we've ever had. This shows singular dedication to the purpose and goals of TFI/TFI.

Dan Presents the Paul R. Tom Award to Larry Stephens


TAX FREEDOM INSTITUTE, INC.

AN ASSOCIATION OF TAX PROFESSIONALS IN DEFENSE OF TAXPAYERS RIGHTS

The Paul R. Tom Award

Given in Appreciation and Gratitude to

Lawerence Stephens

CPA

For Outstanding Contributions and Commitment to the Mission and Goals of the Tax Freedom Institute.

Daniel J. Pilla
Executive Director
November 7, 2021

The 2021 Paul R. Tom Award

In response to receiving the Paul R. Tom Award, Larry offered the following comments:

> *I am truly honored to receive the Paul R. Tom Award. Paul was truly an unselfish gentleman and willing to share his knowledge and experience with all whom he came in contact. It is my pleasure to be part of the Dan Pilla Taxpayer Defense group and being a member of such a distinguished family of "special niche" professionals associated in a special brotherhood having knowledge and the willingness to share with one another. Along with Dan Pilla's family, Paul R. Tom established the pinnacle of the legacy of what this Taxpayer Defense group stands for. Thank you Dan, for the honor and privilege of being associated for these many years.*

Congratulations, Larry. It's my great pleasure to be associated with you.

Did You Miss The 2021 Taxpayers Defense Conference?

Self-study Material is Now Available

If you missed the 2021 Taxpayers Defense Conference, our self-study material is available. The set includes audio recordings of all the teaching sessions and all Dan's lecture notes and other hand-out material.

The IRS has made it perfectly clear that it intends to launch an attack on businesses. Because of that, our 2021 Defense Conference theme is Business Tax Audits. Topics for the 2021 Defense Conference include the following:

- An analysis of how this attack will look
- How the IRS attacks a business's reported income and deductions
- The law regarding the burden of proof on underreported income
- 6 ways to prove deductions
- An analysis of procedures relating to Notice CP2000 and ASFRs
- 2 ethics sessions to include billing practices and the essential elements of competency of counsel
- And don't forget our very educational live role playing and group debriefing sessions
- Finally, as always, we will have our popular and

Dan at the Defense Conference

informative moderated discussion where all topics and problems are fair game.

The Taxpayers Defense Conference is widely regarded as simply the best tax seminar in the country—and for good reason. There is no place else you can go to get the up-to-date, cutting edge information you need to effectively represent your clients in problems resolution issues. And that's a fact.

If you missed the live seminar, don't delay in ordering your self-study course now. Get yours by calling the TFI/TDI office at 800-346-6829. Talk to Jean about getting both the 2020 and 2021 Defense Conference materials for self-study. This is the best CE seminar in the county

Note that TFI is an approved IRS CE provider. The self-study course includes CE credits as authorized by the IRS.

800-346-6829

Biden Administration Intends To Turn The IRS's Dogs Lose

Who Will be Targeted When it Does?

One of the key elements of Biden's Build Back Better scheme is to spend $80 billion over the next ten years on the IRS. To put this in perspective, the IRS's fiscal year 2022 budget is about $14.5 billion, which itself is a 10.4% increase over the 2021 appropriation. But the Biden Administration is not happy with just 10% growth in the agency's war chest. It wants to add another $8 billion a year—for the next ten years—to the budget. The money would be used to increase enforcement action—audits in particular.

The White House claims the increase in IRS spending will raise revenue by $400 billion over the same period. Parenthetically, even if that were true, that would not be enough to balance the federal budget for *just one year*, never mind spread over ten years.

Biden's Treasury Department claims that the administration's tax plan, including the "robust" enforcement activity triggered by $80 billion in additional revenue, will not affect anyone earning less than $400,000 per year.

When one considers who it is the IRS believes is actually cheating on their taxes, we must conclude that it is not high-income people who will be targeted. Rather, the targets will be small business owners and low-income people. This is why business audits were the central theme of the 2021 Defense Conference.

How can this be? Aren't high income people the one's cheating on their taxes? The IRS would have you believe this only because if true, the broader public will then be more willing to get on board with the idea of turning the dogs loose on the richest 1% who apparently aren't paying their "fair share."

The truth is small business owners and self-employed people will be one of the key targets of IRS enforcement. That is because the IRS believes small business owners cheat on their taxes—virtually across the board. In the IRS's opinion, small businesses are the number one factor contributing to the so-called "tax gap," which is the estimated difference between the tax legally *owed*, compared to what is actually *paid*. Recent estimates place the tax gap at about $390 billion.

In September 2019, the IRS released a research report in which it claims that almost half of the tax gap is attributable to self-employed people and small corporations, even though they account for only about

15% of all tax returns filed.

The Treasury Department likewise claims that business owners are the primary source of all tax cheating. According to the Treasury, "about half of the individual income tax gap accrues to income streams from proprietorships, partnerships, and S-corporations, where there is either little or no information available to the IRS to verify the veracity of tax filings." Said another way, according to the agency, unless it has third-party information to verify the claims made by self-employed people, they will and do systematically cheat on their tax returns. This was the primary notion driving the administration's push for bank account reporting of any account with net flows (in and out transactions) of at least $600 in a year.

According to the IRS's 2019 research report, the "cheating" by small businesses comes in a number of ways, including,

- Deliberately overstating deductions,
- Intentionally failing to report all business income,
- Willfully failing to file the laundry list of forms and reports the tax code requires, and
- Knowingly skirting the Byzantine employment tax rules heaped on business owners.

Because of this, the IRS intends to wage an all out war against business owners. In a September 26, 2019 statement the IRS made it perfectly clear that it will "*vigorously pursue those who are not compliant*." IRS Commissioner Chuck Rettig personally piled on, saying the IRS intends to "*focus on those who skirt their responsibilities*." According to the IRS, that is small businesses, not the richest 1%.

In light of the Treasury's claim that the tax gap is attributable to "proprietorships, partnerships, and S-corporations," it is pure fraud to suggest that self-employed individuals operating under one of these entity forms will not be targeted for enforcement action. The vast majority of self-employed people operate under one of these entities. And the vast majority of those earn well under $400,000 annually.

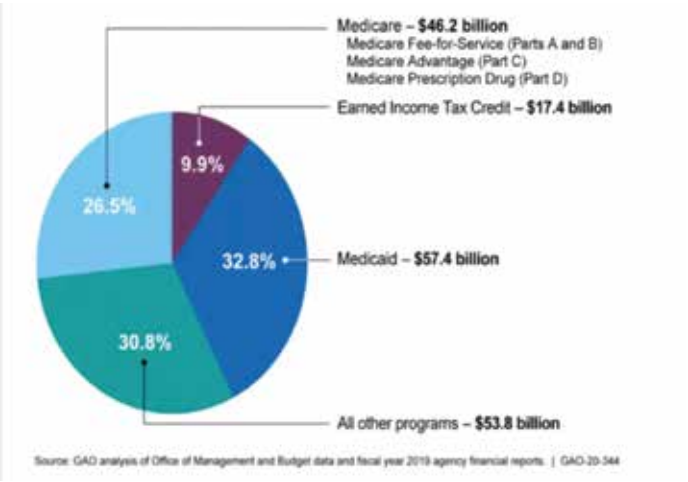
Now let's turn our attention to the low-income side of the ledger. Why would the IRS target low-income citizens for audit and enforcement action? After all, they are "low-income." What's to be gained by chasing financial ghosts?

Low-income people are the taxpayers who take advantage of the "refundable credits" that are built into the tax code. A refundable credit is one which not only reduces your tax liability, but actually creates a refund of money one never paid into the government in the first place. The best example of this is the Earned Income Tax Credit (EITC). The EITC and all refundable credits are actually welfare programs designed to subsidize low income citizens, but which are administrated by the IRS.

The list of refundable credits is already long and the Build Back Better framework will increase them, particularly with the Additional Child Tax Credit, which is most certainly the foundation for a scheme of "universal basic income."

The sad reality is that the ETIC is already one of the highest areas of fraud in our tax system. And why wouldn't it be? Those who qualify for the credit—low-income people—get free money from the government. The U.S. Government Accountability Office reports that improper government payments to individuals are high and getting higher. They went from $151 billion in FY 2018 to $175 billion just one year later.

Perhaps surprisingly to many people, improper EITC payments are third on the list of federal government programs that generate improper (or fraudulent) payments, behind only Medicare and Medicaid fraud. Indeed, nearly 10% of all bogus payments by the federal government in FY 2019 were attributable to the EITC. See chart below,



showing improper federal payment estimates for 2019.

This why tax returns claiming EITC credits are aggressively audited by the IRS. In fact, according to a new report by the Treasury Inspector General for Tax Administration (TIGTA), EITC audits account for "almost 31% of all IRS audits in the past ten years." The EITC is currently responsible for an estimated $27 billion in lost revenue, or 11% of the individual tax gap.

So problematic is the EITC that the Office of Management and Budget declared the EITC as a "high risk" program that is subject to reporting by the Treasury in its annual Agency Financial Report. According to TIGTA, the IRS estimates that 23.5% of all EITC payments made in 2022 were issued improperly.

What do you think will happen with the amount of improper payments issued by the government as the list of "hand-out" programs grows under the Build Back Better program?

Make no mistake about this. The IRS is going to chase the money. And as far as they are concerned, they believe the majority of cheating occurs with self-employed, small business owners, and with low-income people claiming refundable credits. That is exactly who the IRS will target going forward.

If you support an $80 billion increase in IRS spending—and the army of enforcement agents that goes with it—because you believe they're only going after the rich, wake up. There are just not enough rich people out there to make a difference. The IRS is going after Jane and Joe America because that's where the money is.

Democrats' Massive Tax Cut For The Wealthy

BY TOM GIOVANETTI

While the Democrats' "hard infrastructure" bill passed the Senate weeks ago with bipartisan support, their "soft infrastructure" (i.e., social spending) reconciliation bill has been in constant flux, as the leadership tries to cobble together the partisan support of congressional Democrats.

We could pick out item after item in the current form of the reconciliation bill and explain why it is unnecessary, unwise or just plain bad. And we have done so over the past several months.

But today we want to focus on the stunning news that the reconciliation bill now contains some form of removal of the cap on federal deductibility of state and local taxes, which is commonly referred to as the "SALT cap."

As a result of the 2017 tax reform, taxpayers may deduct no more than $10,000 worth of state and local taxes from their federal taxes. This was a major, long overdue change to the federal tax code which IPI supported.

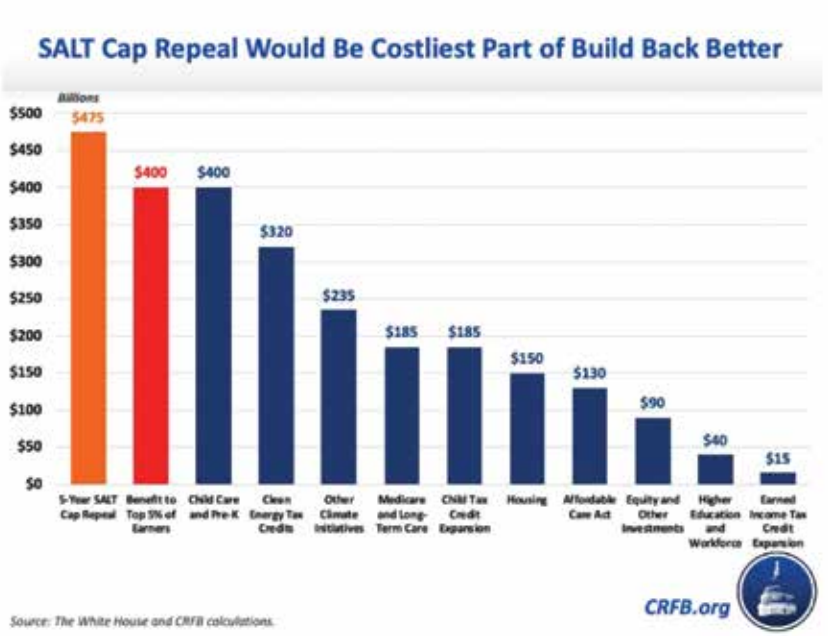
We've explained why capping the SALT deduction is good policy, and why an unlimited federal deduction for state and local taxes effectively subsidizes the high taxes of states like New York, California, Illinois and New Jersey. With an unlimited federal deduction, there is less reason for voters in high tax states to pressure their legislatures to keep taxes at a reasonable level. Essentially, you get all the supposed services from living in a high tax state without incurring the cost because taxpayers in low tax states are subsidizing your state's high taxes.

And, generally speaking, who pays more than $10,000 in state and local taxes? Upper-income households and especially the wealthy, who pay high sales taxes on their consumption, high property taxes on their large homes, and high state income taxes.

So, in other words, by removing the cap on the SALT deduction, the Democrats are . . . drum roll . . . plan-

ning to cut taxes for the wealthy.

Now, of course that is utterly inconsistent with the normal Democrat rhetoric about making the rich pay their fair share. You would have thought it would be Democrats, not Republicans, who would be advocating limitations on SALT deductibility.



But it's even more amazing than that. According to the Committee for a Responsible Federal Budget (CFRB), by no means a conservative organization, the SALT cap repeal is the LARGEST single line item in the Democrats' reconciliation bill. Bigger than health care, bigger than childcare, bigger than paid family leave, and bigger than climate initiatives. *The biggest line item in the Democrats' reconciliation bill is a massive tax cut for the wealthy.*

This tells us that, contrary to their "working class" rhetoric, the Democrats really are transforming into the party of the wealthy elites. They will spend $15 billion for the working poor, $130 billion on health care, but a whopping $475 billion on a tax cut for the wealthy.

The political ground is shifting before our eyes, and the evidence is not just yesterday's election results. It's also in the details of the reconciliation bill.

Tom Giovanetti *is the President of the Institute for Policy Innovation, located in Dallas. Go to:* IPI.org.