

2020 YEAR IN REVIEW



President's Message

Dear Friends of NTU and NTUF:



In December of 2019, NTU's successful 50th Anniversary celebration had just concluded, NTUF was in the initial planning stages for an exciting new project to launch a public interest litigation arm, the term "coronavirus" was still a good two months from making news headlines, and all Washington was discussing what impact the 2020 elections might have on fiscal policy.

Fast forward to today, and the world as we knew it has been turned upside down. For many Americans, the last 15 months have often felt like 15 years! We can certainly relate to that feeling. Members of our staff, including yours truly, were personally touched by COVID. Government-ordered closures in 2020 and 2021 adversely affected the NTU-NTUF offices and our work schedules, as did several instances of political turmoil just steps from our front door.

In the face of these hardships, we persisted. In fact, despite many potential "nightmare scenarios" that could have come to pass for NTU and NTUF, I feel blessed to report that we have met many challenges and embraced many opportunities in 2020 that might have confounded others. None of this was easy; it sometimes meant twice the work for half the results. Yet, the fact that we have (to borrow a phrase from the U.S. Marine Corps) improvised, adapted, and overcome is a testament to your support as well as the talented teams of NTU and NTUF.

Above all, I cannot adequately express the pride and honor I feel for helping to lead organizations that have:

- Had an impact on legislation in Congress amounting to trillions of dollars, even though almost 100 percent of our work had to take place remotely under the most trying conditions for anyone seeking personal contact with lawmakers and their staffs.
- Conducted outreach and advocacy with state and local officials, again with virtually no in-person contact and far shorter meetings in "virtual" format.
- Produced and distributed the most comprehensive guide ever of thousands of state and local ballot measures of interest to taxpayers.
- Bolstered our internal presence and influence on issues such as trade and the OECD's global tax scheme.
- Stood up a major new project, the Taxpayer Defense Center, by hiring a director and consulting advisors entirely remotely, while producing an impressive body of filings and other work weeks after operations commenced.
- Created rapid responses to emerging pandemic policy issues that informed the direction of the debate on tax administration and budgeting.



- Widened the breadth and depth of our media coverage by setting an organization record for op-ed placements, even amid tremendous obstacles to building new relationships with reporters, holding news conferences, or conducting in-studio broadcast interviews.
- Forged a new communications and outreach tool, the “Fiscal Fridays” webcast. These gatherings cannot take the place of face-to-face interaction, but we carried on as best we could.

Every one of you reading this report has been pivotal in helping us weather turbulent times. Your direct financial contributions, your connections to other sources of support, your steady guidance, and your abiding confidence in our work have made all this possible. I am grateful for your partnership, and I hope that we will be able to continue to earn it. Together, we move ever forward!

Appreciatively,

A handwritten signature in black ink, appearing to read "Pete Sepp", with a stylized flourish at the end.

Pete Sepp

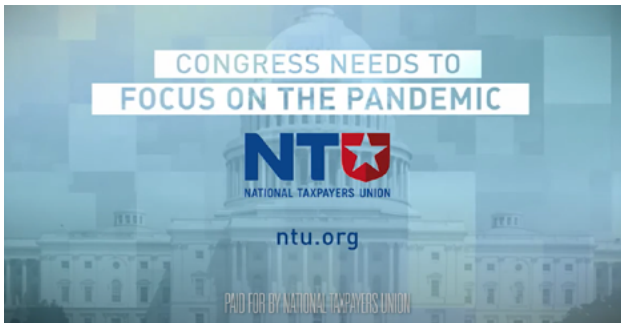
Needless to say, 2020 presented everyone with countless challenges and obstacles. Still, NTU and NTUF kept up the pace as effective advocates for taxpayers -- thanks to your support!

Protecting Taxpayers During COVID-19

The onset of the COVID-19 global health crisis drastically changed everything, from policy priorities to taxpayers' daily lives. In the face of this sea change, NTU and NTUF immediately took action to shape the public policy response. NTUF was the first organization to establish a plan for fiscal conservatives on Congressional intervention. Our publication, "A Framework for a COVID-19 Fiscal Policy Response," was distributed widely on Capitol Hill and to the media, and almost immediately, our phones began ringing off the hook. Our team appeared in major print and broadcast media including *The Washington Post*, *The Wall Street Journal*, *The New York Times*, *The Hill*, and CNBC.

For NTU's part, after discussions with leaders in the legislative and executive branches, many of the key priorities we emphasized were either implemented by the Trump Administration or included in the "Phase Three" COVID-19 response bill. For example, one request we made to the administration and Congress was to delay tax payments and filings. The Treasury Department seemed open to the delay, but their initial guidance was incomplete and sowed confusion by delaying payments without doing the same for filings. We leapt into action, quickly writing a detailed explanation of Treasury's statutory authority to extend the filing deadline and working with Congress to inform the introduction of legislative language to extend all tax deadlines. A mere 36 hours later, this pressure resulted in Treasury Secretary Mnuchin announcing that the tax filing deadline would indeed be delayed under his authority.

We also called for state governments to provide similar relief, offering the first public resource tracking which states had and had not provided filing and payment deadline delays to taxpayers. We continued to update this document every day, until all 50 states had delayed their tax deadlines.



NTU ran an ad campaign urging Congress to focus on helping taxpayers during the pandemic.



NTU Executive Vice President Brandon Arnold on Fox Business Network's Cavuto Coast to Coast on December 11, 2020.

As the pandemic wore on, NTU and NTUF both continued to provide real-time analysis of COVID-19 response legislation, including multiple iterations of the CARES Act, the HEALS Act, and the HEROES Act. We highlighted meritorious efforts to provide businesses with liquidity, throw struggling small businesses a lifeline, and supply families with the temporary support they needed. At the same time, NTU worked to make sure that taxpayers wouldn't be on the hook for trillions of dollars in unrelated spending. In May, we helped sound the alarm about \$400 billion of wasteful spending in Speaker Pelosi's "phase four" legislation, which included a public pension bailout, a suspension of the cap on the deductibility of state and local taxes, and \$25 billion for the U.S. Postal Service. Similarly, in July NTU called out Senate Republicans when they tried to pass a bloated relief bill that included \$20 billion in agriculture spending and \$18 billion in unrelated defense spending.

Defending Tax Reform

The Tax Cuts and Jobs Act (TCJA) has remained a subject of intense debate in the years since President Trump signed it into law. Not only have opportunistic policymakers sought to dismantle its achievements, but many of the law's provisions expire or begin to phase out in 2022. Unsurprisingly, a tumultuous year topped off by political change in Washington put TCJA under fire once again.

NTU was the driving force among center-right advocacy organizations behind TCJA's successful passage in 2017, and in the latter part of 2020 we took up the banner once again to defend this landmark taxpayer victory. We executed a wide-reaching campaign urging Congress to focus on preserving the TCJA provisions that have saved Americans time and money, rather than attempting to roll back the bill's real gains. As we rebuild from the pandemic, tax hikes would spell disaster for the very parts of the economy that most need relief.

Our campaign included video ads targeted to areas where legislative and executive branch members congregate. These ads delivered 949,000 impressions and nearly 400,000 views of the video.

Voicing Taxpayers' Concerns

In 2020 NTU increased the frequency and depth of filings on regulatory matters before federal agencies. This includes technical filings on the Department of Commerce's attempt to take over the IT supply chain, the Department of Labor's rule to protect investors from activist proxy shareholders, and the Federal Housing and Finance Agency's rule to more closely align Fannie and Freddie's capital framework with the capital rules imposed on large banks. In each of these instances NTU's work had a significant impact. The Commerce Department's edict has been substantially modified and slowed, while FHFA's resulting capital rule has been widely praised as providing more protections to taxpayers against a wholesale bailout of the housing finance enterprises.

State Advocacy

When NTU originally launched our Cornerstone project in 2019 with the goal of providing a consistent pro-taxpayer voice in the states, we never would have predicted the unprecedented conditions under which we'd be working just one year later. Nevertheless, 2020 presented some opportunities for taxpayers in state capitals across the country.

The year got off to a promising start. In February, NTU Executive Vice President Brandon Arnold testified in Maryland in opposition to a highly problematic tax on digital advertising; a bill that legislators subsequently made far worse by amending it to include a tobacco tax hike. Later that month, Vice President of State Affairs Leah Vukmir and Director of State Affairs Jess Ward traveled to Nebraska to testify in support of a proposed telecommunications tax cut. Soon after, they went to Minnesota to testify against a ban on flavored cigarette and vaping products.

NTU was thus well positioned for a record-breaking year of direct legislative engagement, but the pandemic required major adjustments to strategy and tactics that required even harder work and longer hours.

NTU addressed critically important issues for the fight against COVID-19, such as telemedicine's potential for reining in out-of-control costs and offering greater convenience to customers. States took heed of our perspective, with all but four taking action to loosen telemedicine restrictions. Later, Leah's membership on the American Legislative Exchange Council's Health and Human Services Executive Committee afforded her the opportunity to deliver a presentation to state legislators on another important topic, expanding the role of pharmacists to allow them to administer vaccines.

The state affairs team continued to play a major role in the fight against taxes on digital advertising. In addition to the aforementioned testimony, NTU coordinated a coalition letter of more than 30 Maryland nonprofits and small businesses who echoed our concerns against the state's version of the proposal. Though the bill passed the legislature over the Governor's veto, we have not simply given up and walked away.

We fought against a similar proposal in the District of Columbia and were pleased to see our efforts pay off when we convinced the DC Council to abandon the idea. We expect similar battles to be waged in New York and other states in 2021, and are ready to push back against the tax-hikers.

Informing Voters

The federal races were the main focus for the majority of voters when election season arrived, but many state and local ballot measures had even greater potential to impact the pockets of our nation's citizens. With the 2020 edition of NTU's Ballot Guide, we sought to give taxpayers a clearer picture of what was at stake. Based on our analysis of ballot measures pertaining to tax, budget, and free market issues, voters across the country decided on at least \$24.785 billion in annual tax increases or extensions. We are proud to claim that this latest edition was the most comprehensive guide in our organization's rich fifty-one year history.

Taxpayer Defense Center

The most exciting development at NTUF in 2020 was the launch of our Taxpayer Defense Center (TDC), the first public interest law project exclusively aimed at protecting the rights of taxpayers from government abuses.

In June we named prominent tax expert and attorney Joe Bishop-Henchman as TDC's head. He joined NTUF from private practice and had previously spent more than a decade in the non-profit policy community. Just six weeks after that, we filed our first amicus brief in *CIC Services, LLC v. Internal Revenue Service*, which has implications for constraining the discretion of tax agencies.

In subsequent months we filed two more amicus briefs in the cases of *Xpedite Systems v. Director, Division of Taxation* and *New Hampshire v. Massachusetts*. We spearheaded large coalitions in support of these briefs, were sought out by petitioners to provide amicus support, and gave legal advice or assistance in several cases.

Holding the Line Against State Tax Overreach

NTUF's Interstate Commerce Initiative has led a movement against state overreach, making the case that state power should end at borders' edge.

We were the first organization to highlight the potential "tax trap" being laid by state governments as millions of Americans began working from home, potentially exposing them to new income tax obligations. We wrote several key papers highlighting the issue and worked closely with Congressional offices to help draft legislation to address it. Leaders of both parties supported a version of the legislation in ensuing COVID-19-related negotiations.

In the states, NTUF was invited by decisionmakers to provide expert analysis of legislative proposals, including before the Maryland Senate during its consideration of a gross receipts tax on digital advertising.



We also had opportunities to weigh in on multiple hearings at the federal level. We worked with the House Small Business Committee ahead of its hearing on the impact of the *South Dakota v. Wayfair* Supreme Court decision, establishing ourselves as the go-to resource for committee staff and Congressional offices of both political parties who were helping to prepare witnesses. Later, NTUF Executive Vice President Andrew Moylan was invited to testify before the Senate Finance Committee during its own hearing on the topic. The hearing was delayed due to the COVID-19 crisis, but we look forward to Andrew's testimony when Congress resumes a normal schedule.

What Are You Paying For?

In the past year, NTUF's Taxpayers' Budget Office (TBO) made great progress as a constructive watchdog for Congressional Budget Office (CBO) processes, scoring, and transparency.

Through our paper series, "The Baseline," NTUF worked directly with CBO itself and with Congressional leaders to make the agency more accountable to taxpayers. CBO responded positively to this pressure by implementing tools allowing individuals to modify economic assumptions and see their impact on budget forecasts, releasing in-depth analysis of inaccuracies in its own projections, and adopting transparency as one of its highest priorities moving forward. CBO leadership requested our collaboration on their "Budget Options" document, a further marker of our growing influence.

We also focused on the fiscal fallout of COVID-19, with research examining pandemic-related spending and its effect on an already grim budget outlook. NTUF experts proposed several helpful policies for balancing the budget, such as permanent full expensing, restarting the Joint Committee on Reduction of Non-Essential Expenditures, and bipartisan spending cuts.

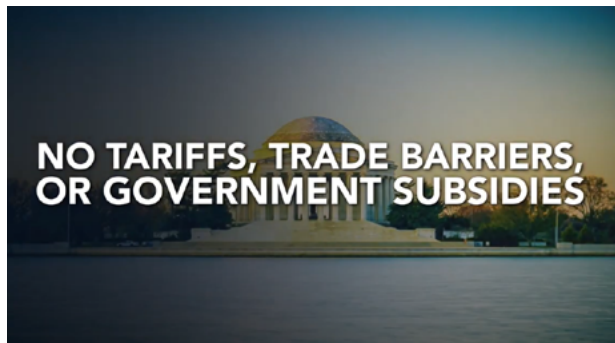
NTUF decided to put the latter suggestion into practice, by teaming up with the liberal U.S. Public Interest Research Group Education Fund to produce a report called "Toward Common Ground," in which we laid out an estimated \$800 billion in bipartisan spending reductions. We also continued to work with Senate Budget Committee leaders on budget process reforms that would encourage more responsible policymaking.

Free Trade Initiative

In a policy world that is often hostile to trade issues, NTUF's Free Trade Initiative is a strong voice proclaiming the virtues of free and vibrant international trade.

NTUF played a leading role in the discussions leading up to the signing of the United States-Mexico-Canada Agreement at the beginning of the year, publishing research that influenced this imperfect agreement in a pro-taxpayer direction. Together with targeted outreach, our work ultimately ensured that there would be a replacement for the North American Free Trade Agreement, which President Trump had committed to scrapping.

In addition, National Taxpayers Union led the charge against a protectionist "Buy America" directive from the Trump Administration, organizing a letter to the President and Congress noting that such an action would limit access and increase the price of the medical goods Americans so desperately need. More than 250 economists joined us in this letter, including two Nobel Laureates.



NTU ran an ad campaign highlighting our economist letter warning against the dangers of "Buy America" directives.



122 C St NW Ste. 650, Washington, DC 20001 (703) 683-5700

NTU.org