White House, congressional Republicans accelerate drive for corporate tax cut worth trillions

By Barry Grey
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The push is accelerating for an overhaul of the US tax system that will divert trillions of additional dollars to the corporate aristocracy, widen the gap between the rich and the working class and set the stage for the destruction of basic social programs.

On Thursday, the Republican-controlled House Ways and Means Committee passed a White House-backed tax bill on a party-line vote, after which House leaders said the measure would come to the House floor for a vote next week. On the same day, the Republican-controlled Senate released its version of the measure, with plans for a floor vote in the upper chamber before the Thanksgiving holiday later this month.

If passed, the two versions will be reconciled and a final bill will be moved through the two chambers and signed into law by President Trump.

The Trump administration and congressional Republicans are pushing for passage of the handout to the richest 5 percent by Christmas. The Democrats are putting on a show of opposition that is cynical to the core. They are denouncing the Republican bills for skewing the tax benefits to the wealthy, while fully supporting the centerpiece of the legislation, a huge tax cut for US corporations.

While there are differences between the House and Senate bills, both versions adhere to the same basic framework. The corporate tax rate is to be permanently reduced from the current level of 35 percent to 20 percent, saving US corporations $2 trillion in taxes and generating an additional $6.7 trillion in revenues over the next decade. The House bill enacts the corporate tax cut in 2018, while the Senate bill, in order to reduce the projected deficit from lost federal revenues, delays the corporate tax cut one year, until 2019.

The House bill keeps the top federal tax bracket at 39.6 percent (down from 70 percent in 1980), but applies it to households making more than $1 million a year, as compared to the current threshold of $500,000. The Senate version provides a bigger windfall for the very rich by reducing the top bracket to 38.5 percent.

Both bills eliminate the alternative minimum tax, which almost exclusively impacts the wealthy, and they both slash the tax rate on so-called “pass-through” income reported by business owners.

Each bill allows corporations that have stashed hundreds of billions of dollars overseas to avoid US taxes, such as Apple and Amazon, to repatriate their profits at a sharply discounted tax rate even lower than the new 20 percent corporate rate.

The bills either sharply restrict or eliminate outright the estate tax, which is currently paid by the wealthiest 0.2 percent of households. The House bill doubles the exemption for an individual to $11 million and eliminates the estate tax entirely in 2025. The Senate version doubles the exemption but does not repeal the tax.

Either way, the change underwrites the right of the richest households to pass on their wealth to succeeding generations, institutionalizing the transformation of the United States into an oligarchy, presided over by a semi-hereditary dynastic caste.

Other boons to business are included in both bills, including an immediate 100 percent tax write-off for capital investments. Neither bill eliminates or reduces the so-called “carried interest” loophole that allows hedge fund, private equity and real estate speculators (such as Donald Trump) to pay only 20 percent on their income instead of the normal tax rate, currently almost twice as high.

This is in line with the legislation as whole. While shifting the tax code to further redistribute the social wealth from the bottom to the top, it particularly favors the most parasitic sections of the ruling class, those engaged in financial manipulation.

In order to promote the fiction that the overhaul is geared to the “middle class,” the bills include certain tax breaks, such as a doubling of the standard deduction for taxpayers who do not itemize and an increase in the child tax credit. However, they also rein in or eliminate existing tax deductions that benefit working class and middle class households.

This is driven above all by the need to keep the total ten-year deficit resulting from the legislation to $1.5 trillion. That limit must be met in order to move the tax overhaul on an expedited basis through the Senate, where the Republicans have only a 52 to 48 majority, ruling out a filibuster and enabling passage by a simple majority.

The House bill eliminates the federal tax credit for state and local income and sales taxes, but continues the write-off for state and local property taxes, capping it at $10,000. It reduces the existing tax reduction on mortgage interest payments as well as a tax break on medical expenses. It also eliminates tax credits for student loan payments and imposes a tax on graduate student stipends. These measures amount to a tax surcharge on workers, young people and the elderly to help pay for the tax boondoggle for the rich.

The Senate version calls for a somewhat different package of added tax burdens for the working class and middle class. It eliminates all state and local tax deductions but retains the tax credits for mortgage interest, student loan payments and medical expenses.

The Republicans are resorting to brazen lying to present the legislation as a boon to "hard-working middle class Americans." Typical is an op-ed column published Friday in the *Washington Post* by Orrin Hatch of Utah, the chairman of the Senate Finance Committee. "For too long, middle-class Americans have struggled with stagnant wages, sluggish labor markets and economic growth well below the historic average," he writes. "It is time to pay attention to those Americans who have felt left behind in economic stagnation, by providing tax relief and economic opportunity."

The line is that corporate America will use the trillions in tax savings to buy new equipment, build new factories, hire more workers and raise wages. This ignores the fact that US corporations already have access to cheap credit, are making bumper profits, and are sitting on trillions of dollars in cash. It also ignores the past record of tax cuts for big business, whether under Reagan or George W. Bush, which pushed up stocks and the wealth of the ruling elite while accelerating the destruction of jobs and working class living standards. The same lying pretext was used to justify Obama's bailout of the banks.

In fact, the extra trillions will be used to buy more and bigger yachts, private planes, mansions, penthouses, private islands and gated communities and bribe more politicians to do the bidding of the oligarchs.

One indication of the two-faced character of the Democrats' opposition is the fact that interest groups backed by Republican billionaires such as the Koch brothers and Sheldon Adelson have thus far spent almost $25 million on TV ads to promote the Republican tax plan, while Democratic groups have spent less than $5 million to oppose the plan.

An updated analysis of the House bill published Wednesday by the non-partisan tax center spells out in detail how the tax overhaul is designed to sharply increase the wealth of the richest 5 percent, and especially the richest 1 percent and 0.1 percent, and vastly increase over the next decade the concentration of wealth at the very top.

Under the so-called "Tax Cuts and Jobs Act," in 2018, taxpayers in the top 1 percent (with income above $730,000) will receive nearly 21 percent of the total tax cut, an average of about $37,000, or 2.5 percent of after-tax income.

Those in the top 5 percent income bracket, and especially the top 1 percent and top 0.1 percent, will get by far the biggest percentage gains in after-tax income. In other words, if you are among the very rich, the rate of increase you receive will be far higher than for the lower 95 percent. That means the plan is designed to widen the gap between the very rich and everybody else.

In 2018, the top 20 percent of income earners will get 56.6 percent of the total federal tax cut. Within the top 10 percent, the 90-95 percent group will get 7.4 percent of the total, the 95-99 percent group will receive 14.8 percent, the top 1 percent will get 20.6 percent and the top 0.1 percent will receive 10 percent. In other words, within the richest 10 percent, the benefits are skewed dramatically to the richest of the rich.

One decade out, by 2027, the transfer of social wealth to the very rich will be even more pronounced. In 2027, taxpayers in the bottom two quintiles (those with income less than about $55,000) will see little change in their taxes, with a tax decrease of $10-$40. Taxpayers in the middle of the income distribution will see their after-tax incomes increase by only 0.4 percent. Taxpayers in the top 1 percent will receive nearly 50 percent of the total benefit.

Someone in the top 1 percent will get a break of $52,780. Someone in the top 0.1 percent will get a tax cut of $278,370.

In total, 12.8 million households will have a *bigger* tax bill in 2018 under the law, including more than three million earning between $48,600 and $86,100. By 2027, more than 11 million households in this income group will see their tax bills increase. Overall, by 2027, 47.5 million households, a quarter of the total, will have a tax increase.