Seven months after Trump’s tax cut

Corporate tax collection rate at historic low

By Gabriel Black
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The rate of tax collection from US corporations has dropped to a near-record low, according to a report by The New York Times.

Trump’s tax cuts, passed in December of last year, have caused a dramatic drop in the money being collected from major corporations, leaving their rich shareholders wealthier and the federal government deeper in debt. According to the White House’s Office of Management and Budget, the reduced corporate taxes will produce an additional $1 trillion in federal debt over the next decade.

Between just January and June of 2018, money gained from corporate taxes had dropped almost $50 billion from the year prior, a drop of one third. This huge sum, now in the pockets of the big companies, is not far behind the federal education budget of $68 billion a year.

The historic low in tax collections from US corporations, however, is not simply a national phenomenon caused by Trump. A new study by Ludvig Wier, an economist at the University of Copenhagen, has found that between 1985 and 2018 the average corporate tax rate has fallen from 49 percent to 24 percent. Speaking to the Washington Post, Wier remarked that “Corporate taxes are going to die in 10 to 20 years at this rate.”

Wier notes that in the face of offshore tax havens there is intense pressure on nations to lower their corporate tax rates. His paper estimates that in 2015 more than $600 billion of profits from corporate firms were transferred to several key tax havens. Wier’s paper, which was written with Gabriel Zucman, the University of California, and Thomas Tørsløv, the University of Copenhagen, states, “The massive tax avoidance—and the failure to curb it—are in effect leading more and more countries to give up on taxing multinational companies.”

The Trump White House and congressional Republicans falsely presented the $1.5 trillion tax cut as a means of helping the American worker. The reality is that the money corporations have gained from the cut have gone to share buybacks and dividends. These financial maneuvers are parasitic mechanisms that enrich the shareholders of corporations while taking money out of production and investment into the economy. This bonanza to the financial elite is expected to exceed $1 trillion this year, the highest ever.

Trump’s tax cuts have also contributed significantly to the federal deficit. As early as next year, the US annual budget deficit is expected to exceed $1 trillion. In every job, workplace and government throughout the world, budget deficits are used to justify cuts to essential social services and programs.

Even the International Monetary Fund, the global US-led banking organization that enforces austerity measures, has warned about this development. The IMF said that the Trump tax law will actually “encourage location of tangible investments abroad.” They note that the Trump tax code creates a new deduction very wealthy people can take by categorizing their personal income as pass-through income.

According to the Center on Budget and Policy Priorities, 70 percent of Trump’s tax cuts will flow to the top fifth of the population. The top one percent will reap 34 percent of its benefits. Millionaires in the United States will reap $17 billion from the tax cut just in 2018.

The Democrats did little or nothing to oppose the tax cuts, which benefit their own fat-cat base, and they have no genuine plans to reverse the cuts. When asked this week by a CNBC reporter repeatedly about what
rate she would roll back the corporate tax rate to, 
Elizabeth Warren, D-Mass., refused to give a number. 
Her insistence that it was up to “negotiation” is a signal 
that the Democrats will take Trump’s tax cut as a new 
normal.

One cause of the tax cuts is the increased risk of 
financial instability. The White House estimates that in 
the fiscal year beginning in October, the US deficit will 
be $1.1 trillion, which is 5.1 percent of US GDP. Since 
World War II, the US almost never had a debt-to-GDP 
ratio higher than 5 percent, except in 1983, following a 
recession, and from 2009-2012, immediately following 
the financial crisis.

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