

Trump's taxes: Capitalist corruption and class privilege

Patrick Martin
4 October 2016

The three pages from Donald Trump's tax returns made public in Sunday's *New York Times* provide a better insight into the real nature of the capitalist system than all of the speeches, platforms and policy statements produced by the Republican and Democratic parties in the course of the 2016 elections.

The real estate and casino billionaire made use of a tax provision that favors the real estate industry to declare paper losses of \$916 million in 1995, which he could then use to offset income up to that amount for tax purposes over the next 18 years. A separate provision allowed him to write off another \$15 million in losses, more than offsetting his entire income in the year for which the return was filed.

The Trump campaign did not deny the veracity or accuracy of the *Times* report, only asserting that the Republican presidential candidate had taken legal deductions and that his tax return was in conformity with the tax laws at the time it was filed.

Exactly: The real crime is not what's illegal, but what is legal.

Billionaires can take advantage of provisions of the tax code written to their specifications by their congressmen and senators, signed into law by their presidents, invoked for their benefit by their paid accountants and tax lawyers, and upheld, in the rare cases of a challenge, by federal courts and judges who do their bidding.

"The system is rigged," Trump has said, using the passive voice to obscure the key question: Who rigged it? The billionaires rigged it, working through their agents in the Democratic and Republican parties.

Any worker or small businessman who has had to deal with the Internal Revenue Service (IRS) knows what happens when a tax return is audited or challenged, or deductions are disallowed. The IRS

mobilizes its agents, garnishes wages, seizes property, imposes punitive fees and penalties for late payment, even drives its unfortunate targets into bankruptcy.

Members of Trump's class have no fear of IRS audits. Like Trump, they regard such procedures as a mere cost of doing business. They have far more resources than the IRS, an agency that has been deliberately weakened—at least in relationship to the super-rich—over the past several decades.

Billionaires and big corporations routinely claim gigantic deductions or paper losses—Trump's \$916 million in a single year would not be unusual in such circles—with the IRS rubber-stamping the returns. In case of an audit, as Trump's example shows, the process can drag on for years, with no penalties or other negative consequences.

According to a Reuters report in April 2016, one-fifth of all large, profitable corporations paid no income tax at all in 2012, the last year for which figures were then available, and the average tax rate paid by profitable corporations was 14 percent, even though the nominal corporate income tax rate is 35 percent.

A separate report by *USA Today* found that 27 companies in the Fortune 500 paid no federal income tax for 2015, despite reporting substantial profits, including General Motors, American Airlines, United-Continental Airlines, Loews, Citrix, Towers Watson, Xerox and Level 3 Communications. According to other published studies, thousands of millionaires, including many billionaires, pay no federal income tax because of various accounting gimmicks and maneuvers.

Trump has campaigned as a successful businessman who will use his business skills to transform the US economy and the federal government. This is a political hoax, as his colossal one-year loss of nearly a billion

dollars demonstrates. His real expertise is in gaming the system.

Trump built up a huge fortune despite six bankruptcies, countless swindles of subcontractors and gullible small investors—most notoriously, those who paid fees for “education” at Trump University and Trump’s real estate institute—thanks to favorable treatment from subservient politicians and government agencies.

Trump epitomizes the social, political and moral squalor of the capitalist financial elite, which represents a criminal underworld raised to the heights in 21st century America. One of his fellow real estate billionaires, hotel magnate Leona Helmsley, became notorious for the declaration, overheard by a housekeeper: “We don’t pay taxes. Only the little people pay taxes.” Trump shares the same contempt for working people.

Tax evasion by the super-rich has become a way of life over the past 35 years, as the tax laws have been repeatedly revised by the Democrats and Republicans working together, beginning with the bipartisan Reagan tax cuts of 1981 and followed by bipartisan agreements in 1986 and 1990, culminating in the 2001 bipartisan tax cut under George W. Bush.

The creation of tax dodges like LLCs (limited liability companies) has been accompanied by the effective abolition of the estate tax on inherited wealth. Over the course of this period, corporate taxes fell from one-third of federal tax revenues to only 10 percent, while the nominal top tax rate on the wealthiest individuals was cut from 70 percent to 35 percent. The actual rate paid by the rich and the super-rich is even lower.

These changes have been a major factor in the vast concentration of wealth, as documented in the research of economists such as Emmanuel Saez.

While the *New York Times* and the Clinton campaign treat Trump as an exception, his manipulation of the tax code to amass great wealth is the rule. A whole system of financial parasitism has developed, in which real estate speculation, banking, the stock exchange, hedge funds and offshore tax avoidance form the standard operating procedure for an entire social layer.

A political conflict within the ruling elite has led to a limited exposure of this corruption and filth. The anonymous source who supplied the documents to the

Times was no doubt seeking to help the struggling Clinton campaign, as was the *Times* itself in making the material public on its front page.

But the Clintons personify this corruption just as much as Trump, even if they made use of a different mechanism and on a somewhat smaller scale. They amassed a fortune exceeding \$150 million in the decade after Bill Clinton left the White House, mainly through six-figure fees for addressing corporate and Wall Street audiences. Barack Obama will shortly take a similar path, reaping his reward from the financial aristocracy whose interests he safeguarded so assiduously over the past eight years.

For the working class, the political lesson is clear: the only way to defend its economic interests—for jobs, decent living standards and needed social services—and to put an end to imperialist wars and attacks on democratic rights, is to build a political movement against capitalism. The working class must take the road of political struggle against the profit system, fighting for a socialist program based on the confiscation of the ill-gotten gains of the financial elite and the deployment of the vast resources created by labor to meet social needs, rather than feed private greed.



To contact the WSWS and the Socialist Equality Party visit:

wsws.org/contact