

Trump's tax plan provides massive windfall to the rich

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President Donald Trump revealed his tax cut plan Wednesday, calling it “a revolutionary change.” The plan consists of an array of cuts which would provide a historic windfall for large corporations and the rich. If passed by Congress it would represent the most expansive change to the tax code since the New Deal reforms of President Franklin Delano Roosevelt.

The proposal was produced after months of secret talks between the so-called “Big-Six,” Treasury Secretary Steven Mnuchin, National Economic Council Director Gary Cohn, both multi-millionaire former employees of Wall Street firm Goldman Sachs, and leading Republicans from the House and Senate.

Trump sought to give the plan a populist touch during a speech announcing the plan in Indianapolis, framing his proposals as a boon for the middle class, American workers and American manufacturing.

“I’ve been waiting for this for a long time. We’re going to cut taxes for the middle class, make the tax code simpler and more fair for everyday Americans. And we are going to bring back the jobs and wealth that have left our country and most people thought left our country for good,” Trump claimed.

However, an analysis by the Center on Budget and Policy Priorities (CBPP) estimates approximately half of the tax cuts would go to the top 1 percent of households, those making more than \$700,000 per year, for an average cut of \$150,000 per year. Within in this group, the richest of the rich, the top 0.1 percent, would receive 30 percent of the tax cuts, for an average cut of \$800,000 per year.

Meanwhile there would be “little discernable” benefit for working class families under Trump’s plan, according to the CBPP. A married couple with one child that earns less than \$24,850 a year will receive no tax cut under the plan, while a similar family earning

\$48,700 will see a cut of just \$180.

For individuals, the tax plan would ditch the current system of seven tax brackets and collapse them into three brackets, with 12 percent, 25 percent, and 35 percent tax rates. This would constitute a tax cut for the wealthiest individuals, who currently have a top tax rate of 39.6 percent, and an increase for the poorest individuals, with a current tax rate of 10 percent.

The proposal contains a suggestion that Congress consider creating a fourth tax rate above 35 percent, which Trump touted as a measure to ensure that the wealthiest are paying their fair share.

However, the plan does not specify what income level the new tax bracket would be associated with, nor does it explicitly tell Congress to create the fourth bracket. This was obviously placed in the plan to ensure that the president can claim he did not rescind his promise that the rich would not benefit from his tax reforms. One can expect the two big business parties to ignore this section of the proposal as a tax bill makes its way through Congress.

Significantly, the plan also calls for the abolition of the estate tax, a tax on inherited wealth. Opponents of the estate tax argue family-owned small farms are endangered by the tax. However, an analysis of data from the Tax Policy Center shows that only 50 small farms are affected by the estate tax in the United States. The overwhelming beneficiaries of this cut will be the heirs and heiresses of wealthy estates such as Trump’s own children.

Furthermore, corporations would save billions under Trump’s plan, as it calls for a reduction in the corporate tax rate from 35 percent to 20 percent. A proposed transition from an international tax system to a territorial tax system means that corporations would not be taxed on their overseas earnings. This includes a

one-time “repatriation tax” aimed at encouraging corporations to bring offshore profits and jobs back to the United States. The level of this tax is left for Congress to decide.

A new tax rate for “pass-through businesses” would be implemented as well. These include businesses and corporations whose profits “pass through” to their owners. The businesses would be taxed at a rate of 25 percent instead of the individual rate that their owners are currently taxed at. Approximately 95 percent of businesses in the United States are structured as “pass-throughs.” Again, this new tax rate would constitute a reduction in the amount of taxes the wealthiest corporation owners would be required to pay.

Trump administration officials have not commented on the cost of the proposed plan. One estimate from the Committee for a Responsible Federal Budget found that the policies in the plan would cost about \$2.2 trillion over ten years.

Beyond reducing deficit spending, top Republicans claim that the resulting economic growth would compensate for the loss in revenue. During the 2016 presidential campaign Trump claimed that his tax plan would raise the economic growth rate to 4 percent.

While leading Democrats, including Senate minority leader Chuck Schumer, have postured publicly against Trump’s proposals they are eager to work behind closed doors with the president to slash the taxes for the rich.

Democratic members of the House Ways and Means Committee received an advance briefing Tuesday on the president’s proposal at the White House. On Wednesday, Democratic Senator Joe Donnelly from Indiana accompanied Trump on Air Force One to the rally in Indianapolis.



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