

A tax plan by and for the US oligarchy

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The tax cut proposals announced by President Donald Trump this week constitute yet another massive transfer of wealth from the working population to the parasitic ruling elite.

Trump on Wednesday unveiled the plan drawn up in secret talks between congressional Republicans and administration economic spokesmen Steven Mnuchin and Gary Cohn. The tax overhaul would mean an unprecedented windfall for the super-rich, on top of the fact that virtually all income gains during the period of the supposed recovery from the financial crash of 2008 have gone to the top 1 percent income bracket.

The proposed legislation would reduce the number of income tax brackets from seven to three. The “simplification” would increase the lowest rate from 10 percent to 12 percent while reducing the highest tax rate from 39.6 percent to 35 percent.

All of the annual tax savings, to the tune of hundreds of thousands of dollars, will go to the wealthiest taxpayers. The bottom third will get nothing, many of them below the income level for income tax liability in the first place. Broad layers of better-off workers and the middle class will get almost nothing after the deduction for state and local taxes is eliminated from the federal income tax. There is no proposal for an increase in the earned income tax credit, which would help the poor, or any reduction in payroll taxes, disproportionately hitting the working class and the working poor.

Even more important are proposals to do away with the alternative minimum tax (AMT), reduce the corporate tax rate from 35 percent to 20 percent, slash the tax rate on so-called “pass-through businesses” to 25 percent and eliminate the estate tax.

The alternative minimum tax, which applies overwhelmingly to those with annual incomes over \$200,000, dates back to 1970 and was devised to prevent the wealthy from avoiding taxes altogether

through the use of itemized deductions and other techniques. Trump himself is reported to have paid an additional \$31 million in taxes in 2005 because of the alternative minimum tax.

The reduction of taxes for pass-through businesses has been promoted by dominant sections of the ruling class, in typical demagogic style, as a means of aiding small entrepreneurs and family-owned enterprises. In fact, small businesses already pay less than 25 percent in tax and this windfall would apply almost entirely to hedge funds, private equity firms, giant law firms and other partnerships and limited liability companies (LLCs). LLCs have become more and more common in recent years, used by multimillionaires for such purposes as hiding ownership of luxury residences.

Among the various proposals, the elimination of the estate tax has the greatest ideological significance. Here too, the argument has been presented that inheritance taxes spell the ruin of family farmers and other hardworking Americans. Nothing could be further from the truth. The estate tax currently applies only to inheritances of more than \$5.49 million, which is up from a \$1 million threshold 15 years ago. It currently affects only 0.2 percent of individuals who leave bequests annually.

The modern estate tax in the US dates back almost exactly one century. It was introduced as part of the 1916 legislation that enacted the federal income tax. Against the perennial argument that it constitutes “double taxation” by targeting savings on income, the estate tax was seen as necessary to prevent the ever-increasing concentration of wealth. The American bourgeoisie, from the Progressive Era of the early 20th century through the New Deal and the post-World War II boom, saw this tax, including its redistributive effects, as insurance against social revolution. The tax rate on inheritance rose to 77 percent on the largest estates.

This began to change in the 1970s and 1980s, part of the social counterrevolution that has escalated in recent decades. In 1981, under Ronald Reagan, the top estate tax rate was reduced from 70 percent to 50 percent. It was phased out in 2001 under the George Bush administration, but this was not permanent. In the absence of new legislation it returned in 2011.

The demand for the removal of all taxes on inherited wealth amounts to a modern version of aristocratic privilege. The parasitic ruling cliques that sit atop the US economy are out to further entrench a system of American royalty in opposition to any claim that the offspring of the multimillionaires and billionaires should “earn their own way.” After several decades in which the top 1 percent has doubled its share of the national wealth, it now insists on measures that will make even the current levels of inequality seem quaint by comparison.

Some observers have pointed to the big tax cut legislation enacted in the first years of both the Reagan and George W. Bush administrations, in 1981 and 2001, respectively. Now, less than 20 years later, Trump seeks to make his mark, an even bigger one, in the tax-cutting competition.

The economic crisis of 2017 is a vastly deeper one than in recent decades, however. When Bush promoted his tax cuts, for instance, the US Treasury forecast a surplus of \$5.6 trillion over the coming decade.

Although this prediction would not in fact have come to pass even if the tax cuts had not been enacted, today’s situation is quite different. The forecast is for a cumulative deficit of \$10.1 trillion over the next ten years, with the annual deficit reaching the stratospheric level of \$1 trillion by 2022 and going up from there.

The historical pattern of the past two generations is repeating itself today, although capitalist politics has in the interim moved very sharply to the right. The Republicans, utilizing varieties of right-wing populism that are verging on fascism, are spearheading the class war waged by the super-rich. This is summed up in the person of billionaire Trump himself, who declared, in Big Lie style last week, that “it’s time to take care of our people, to rebuild our nation and to fight for our great American workers.”

Anti-tax demagoguery has played a viciously reactionary role over the past 50 years. For the vast majority of working people, the problems they face have

increasingly centered on obtaining decent full-time jobs at wages that make it possible to raise a family, as well as affordable health care, housing and education. Anti-tax campaigns have been consciously used to divert attention from these issues.

The Democrats, more and more basing themselves on Wall Street, differ only on tactics and tempo. They are looking for a bipartisan deal to attack the working class. Democratic Senate leader Charles Schumer, known as the senator from Wall Street, is ready to do business with the Trump White House. To the extent that the Democrats criticize the Republican tax proposals, it is primarily on grounds of “fiscal irresponsibility.” They are no less hostile than the Republicans to any measures to redistribute wealth from the top to the bottom.



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