US House passes multitrillion-dollar tax break for corporations and the wealthy

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The US House of Representatives on Thursday passed a tax overhaul that will, if passed by the Senate and signed into law by President Trump, give corporations and the very wealthy trillions of dollars in tax cuts, driving up the deficit and setting the stage for a massive assault on basic social programs such as Medicare and Social Security.

The bill is a measure by and for the oligarchy that controls both major parties and rules the country, in alliance with the military and the intelligence agencies. This reality was reflected in the response on Wall Street. All three major stock indexes soared, with the Dow Jones Industrial Index closing up by 187 points. The markets recorded their biggest one-day gains since September.

The cynically misnamed "Tax Cut and Jobs Act" was approved on a party-line vote of 227 to 205. No Democrats voted for the measure and 13 Republicans voted against the bill. Twelve of the dissenting Republicans come from high-tax states—New York, New Jersey and California—which will be hardest hit by the bill's termination of federal income tax deductions on state and local income and sales taxes.

The shameless lying that has been employed to push the Trump administration's tax cut for billionaires continued unabated on the floor of the House in advance of the vote. As indicated by the name given to the bill, Trump and congressional Republicans are presenting the tax cut as a boon to the "hard-working middle class," ignoring the fact that the tax benefits go overwhelmingly to corporations and the rich and, according to multiple analyses, tens of millions of middle-income people will end up paying higher taxes under its provisions.

The claim is that by giving corporations nearly $7 trillion in additional revenues over the next decade and lowering taxes for financial speculators and CEOs, a flood of cash will be poured into productive investment, creating new jobs at higher pay for working people. This ignores the fact that US corporations are already making bumper profits and sitting on nearly $2 trillion in cash, which they refuse to invest in new plants, housing, schools, infrastructure or other socially useful projects, while continuing to demand cuts in wages and benefits.

Wall Street is salivating because the tax rollback for the rich—the corporate tax rate under the bill will be the lowest since 1939 and the estate tax will be eliminated in 2025—will enable the financial aristocracy to further pad its bank accounts and lord it over the bottom 90 percent with even more obscene displays of personal wealth.

In introducing the bill before the floor vote, House Speaker Paul Ryan continued the con game by declaring, "It is finally time that we get the general interest of this country to prevail over the special interests in Washington."

He continued: "We are in a generation defining moment for our country. What we're doing here is not just determining the kind of tax code we're going to have—what we're doing here is determining the kind of country we're going to have."

Indeed, the tax overhaul being pushed by Trump and the Republicans will effect an even more ruthless transfer of wealth from the working class to the financial aristocracy, eclipsing the already colossal levels of social inequality.

Ryan failed to explain why he and his fellow Republican leaders were rushing such a transformative measure through Congress without so much as a public hearing in either the House or Senate, and utilizing expedited procedures to circumvent a Democratic filibuster in the Senate so as to allow the Senate bill to be passed by a simple majority.

The Democrats, for their part, are carrying out their typical half-hearted and two-faced opposition. They themselves are calling for a massive cut in corporate taxes, only a somewhat smaller one than that being pushed by the Republicans. The House and Senate tax bills currently working their way through Congress both slash the corporate tax rate from 35 percent to 20 percent. The Democrats are proposing a cut in the corporate rate to between 25 percent and 28 percent. While denouncing the Republican bills as a windfall for the rich, they are offering to negotiate a more fiscally responsible corporate boondoggle.

As always, the Republicans are setting the marker as far to the right as possible and the Democrats are mounting an insincere opposition that will inevitably end with the Republicans achieving virtually all of their demands.

According to Congress's nonpartisan Joint Committee on Taxation, the House bill would increase the federal deficit over ten years by $1.4 trillion as a result of lost federal tax revenues. The bulk of that loss would come from the cut in the corporate tax rate, accounting for $1.5 trillion. Another $696 billion cut would result from the elimination of the alternative minimum tax, which applies to households with incomes of $200,000 to $1 million.

Non-corporate business owners would receive a cumulative tax cut of $597 billion as a result of a new 25 percent top rate on so-called “pass-through” income.

Doubling the exemption threshold for the estate tax from the current $5.5 million to $11 million, and terminating the tax entirely in 2025, would put another $151 billion into the bank accounts of the richest 0.2 percent of the population.

Other business tax breaks would add more than $250 billion more to the spoils.

While the House bill keeps the top individual income tax rate at the current level of 39.6 percent, it raises the threshold for the bracket from $500,000 to $1 million, providing a further benefit for the top 5 percent of income earners.

The bill doubles the standard income tax deduction and raises the child allowance, providing virtually all of the benefits from the tax overhaul that go to workers and middle-income people.

These benefits are, however, eroded or even eclipsed in many cases by provisions that reduce or eliminate existing tax deductions on which working-class and middle-class families heavily rely. These include deductions for mortgage interest, state and local taxes, medical expenses, student loan interest and other higher education tax benefits.

The elimination of tax credits for medical expenses will have a devastating impact on elderly people with high medical bills. Repeal of education tax breaks will add some $65 billion to the federal tax coffers over ten years, at tremendous cost to undergrads and graduate students seeking to pay off student loans and graduate students whose tuition waivers will become taxable income.

According to the Joint Committee on Taxation, the House bill gives more than 80 percent of its overall cuts to corporations, business owners and wealthy families that are subject to the estate tax.

Some 70 percent of the tax benefits will initially go to individuals earning six-figure salaries, about 23 percent of tax filers. In 2019, those making $1 million or more per year (the richest 0.3 percent of tax filers) will receive 21.6 percent of the total benefit.

According to the nonpartisan Tax Policy Center, while taxes will be reduced, on average, by some $1,000 by 2027, the top 1 percent will get a cut of more than $62,000, while the top 0.1 percent will get an average reduction of $320,000.

The Joint Committee on Taxation reported that the Senate version of the tax bill, which adheres to the basic framework of the House bill, will actually raise taxes on all households earning less than $75,000 after 2027.

The focus of political attention will now shift to the Senate, whose Republican leaders have promised to bring a bill up for a floor vote before the end of this month. The Senate Finance Committee is expected to vote the latest version of the Senate bill out of committee on Friday. That version includes a repeal of the Obamacare individual mandate and other provisions that, if anything, slant it even more toward big business and the rich than the House bill.

Passage of the bill by the Senate remains uncertain, as the Republicans, with a narrow 52 to 48 majority, can afford only two defections from their ranks. On Wednesday, Senator Ron Johnson of Wisconsin announced that he would oppose the present bill, and several other Republican senators have voiced doubts over the measure.

It is already becoming clear that the tax overhaul is a prelude to a frontal attack on Medicare and Social Security. On Tuesday, the Congressional Budget Office warned that the tax bill could trigger a budget rule that would require up to half a trillion dollars in Medicare cuts over the next decade.

Citing anonymous Republican congressmen, the *New York Times* reported Thursday that President Trump, in a meeting with House members prior to that day’s vote, said he thought Congress should move to “welfare reform” after passing the tax bill. Trump’s chief economic adviser, former Goldman Sachs banker Gary Cohn, told the business channel CNBC last week, “I think when he gets done with [taxes, deregulation and infrastructure]… welfare is going to come up.”

At a town hall event Tuesday in Virginia, House Speaker Ryan said reducing the national debt required increasing economic growth and changing entitlement programs (such as Medicare and Social Security). The Republican tax plan “grows the economy,” he said, adding, “We’ve got a lot of work to do on cutting spending.”

He was echoing Representative Kevin Brady, the Republican chairman of the House Ways and Means Committee, who said earlier this month that the tax overhaul “alone won’t get us back to a balanced budget.” He said House Republicans would soon turn to “welfare reform and tackling the entitlements.”