US Congress set for Wednesday passage of multi-trillion-dollar tax cut for the rich

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The mad dash of the Republican-controlled Congress to pass a multi-trillion-dollar tax cut for corporations and the wealthy for President Trump's signature before the Christmas break, hit a speed bump on Tuesday. After the House of Representatives passed the measure in a largely party-line vote and the Senate began debate with the aim of securing passage late Tuesday night, the Senate parliamentarian ruled that two minor provisions violated Senate "budget reconciliation" rules.

As a result, the House will have to vote again Wednesday morning on the bill, minus the two provisions that will have been stripped out by the Senate. The end result, however, is a foregone conclusion.

Senate Republicans are using the expedited budget reconciliation process, which enables them to prevent a Democratic filibuster and pass the measure with a simple majority in the narrowly divided (52 to 48) chamber. This is one aspect of the brazenly undemocratic procedure being used to ram through a massively unpopular windfall for America's corporate-financial elite, which will make the United States, already the most unequal advanced economy in the world, far more unequal.

Legislation that will transfer trillions of dollars from the working class to the richest 10 percent of the population, disproportionately to the richest 1 percent and 0.1 percent, will be made the law of the land within less than two months of its initial release and without a single congressional hearing.

What is being exposed is the fraud of bourgeois democracy and the reality of rule by an oligarchy that controls the political system and both major parties. It wants the money and will stop at nothing to get it.

The Democrats are offering only token opposition. They themselves fully support a sharp cut in the corporate tax rate, something proposed by the Obama White House, and have done nothing to mobilize the widespread popular opposition to the bill.

The giddy mood of Republicans and half-hearted posturing of Democrats is, in no small measure, due to the personal benefits most of those in Congress will receive from the legislation. A majority in Congress are millionaires, including 66 percent of senators.

Senator Bob Corker of Tennessee, the lone Republican to vote against the Senate version of the bill earlier this month, suddenly reversed himself last Friday, after House and Senate conferees inserted a last-minute provision in the final bill, adding commercial real estate firms to the list of "pass through" companies entitled to a hefty tax cut. Corker is a former construction executive with significant real estate income.

Enactment of the cynically named "Tax Cut and Jobs Act" will slash federal tax revenues by between $1 trillion and $2 trillion over the next decade. The sharply increased budget deficit and national debt will be used to justify a frontal attack on the core social programs remaining from the 1930s and 1960s: Medicare, Medicaid and Social Security.

Trump and the Republicans are accompanying enactment of the tax overhaul with a barrage of lies. They are insisting that the measure is a boon to the "hard-working middle class." This continued Tuesday after the House initially passed the measure by a vote of 227 to 203, with 12 Republicans, mostly from the high-tax states of California, New York and New Jersey, joining all 191 voting Democrats in opposition.

Despite multiple non-partisan analyses, which have shown that the measure overwhelmingly benefits the rich and will actually increase taxes for a majority of Americans, House Speaker Paul Ryan hailed passage of the bill Tuesday as "a good day for workers." It will "increase take-home pay," he added.

Kevin Hassett, the chairman of Trump's Council of Economic Advisers, told the cable news channel MSNBC, "Corporations are going to start building plants here. People will open the want-ads page and find a lot more jobs."

In fact, America's financial aristocracy will use its newfound wealth to increase its parasitic financial activities and reward itself with more mansions, private islands, personal jets and other means of flaunting its wealth.

As Reuters recently reported, "US corporations are saying they would used a tax reform windfall to buy back shares, retired debt and other shareholder-friendly moves, in recent calls with investors and securities analysts." These include job-destroying mergers and acquisitions, a number of which have already been announced—CVS and Aetna, Disney and 21st Century Fox—in anticipation of passage of the bill.

Despite the campaign of lies, opinion polls show growing popular opposition to the tax bill. A new poll released this week by CNN and SSRS found that 55 percent oppose the proposal and 33 percent support it. Opposition to the bill has increased by 10 percent since early November.

The Democrats, for their part, are directing much of their criticism at the bill's budget and debt consequences, and attacking the Republicans for being fiscally irresponsible. House Minority Leader Nancy Pelosi (whose estimated net worth is nearly $200 million), while denouncing the Republicans for "looting" the economy, stressed that their bill will "explode the national debt."

In Tuesday's Senate debate, Jack Reed of Rhode Island, the senior Democrat on the Armed Services Committee, cited Trump's newly issued National Security Strategy document, which calls US economic strength a key to national security, and denounced the tax bill for raising the debt and thereby undermining America's international position. "Let's give the $1.5 trillion tax cut to the men and women in uniform" instead of Wall Street, he declared.

The heart of the bill is a massive cut in the corporate tax rate from the current 35 percent to 21 percent. It is estimated that this alone will increase corporate revenues by some $6 trillion over the next decade.

The effective US corporate rate, i.e., the rate corporations actually pay after making use of tax loopholes and dodges of various kinds, is presently between 19 and 21 percent, already below that paid by US rivals in Europe and Asia. According to economists at the University of Pennsylvania, under the new law the effective rate across all industries will fall to 9 percent next year.

The biggest windfalls will go, not to manufacturing or mining, but to real estate (the basis of the Trump empire) and finance. Real estate firms will see a 16 point reduction and financial companies will enjoy a 12 point cut. Mining firms will see a cut of just under nine points, and manufacturers will receive a seven point reduction.

The economists project that the bill will save financial firms $250 billion in corporate taxes over the next decade, a massive 35 percent cut.

The bill also gives the owners of "pass through" businesses, which are not publicly held corporations, such as partnerships and S corporations, and who pay taxes at the individual rather than the corporate rate, a hefty 20 percent tax deduction.

It lowers the top individual tax rate from the current 39.6 percent to 37 percent, while raising the income threshold. It reduces the alternative minimum tax rate for individuals and eliminates it for corporations.

The bill goes a very long way in consolidating a dynastic aristocracy of wealth in America by doubling the estate tax exemption for couples to $22 million.

It includes two provisions that will modestly reduce taxes for most middle-income households in 2018 and several years thereafter: a doubling of both the standard deduction and the child tax credit. However, these are largely offset by other provisions that eliminate or reduce current tax deductions used by tens of millions of working Americans, including deductions for mortgage interest and state and local taxes. The bill also pares back deductions on losses from fires and floods, and repeals them for alimony payments and moving expenses.

One critical provision that has been grossly under-reported is the replacement of the Consumer Price Index (CPI) by the so-called "chained CPI" in adjusting tax brackets and certain benefits. The new standard underestimates inflation and will slow the speed at which tax brackets adjust to rising prices. As a result, taxpayers will more quickly find themselves in higher tax brackets.

Low income people who currently claim the earned income tax credit will lose an estimated $19 billion over the coming decade, because of the chained CPI. Moreover, in a vicious attack on immigrants, the new law requires families claiming the earned income tax credit to show a Social Security number. Undocumented parents will thereby be disqualified from collecting benefits, even if their children were born in the US and are therefore US citizens.

On top of all this, the bill terminates all provisions relating to individual tax rates at the end of 2025, leaving low and middle-income people facing a sudden, large tax increase for 2026 and beyond.