As AT&T announces holiday layoff of hundreds of workers

Corporate America begins campaign to sell Trump tax bonanza

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The enactment of the largest tax cut for the rich in modern history has triggered a series of announcements by major corporations that they are going to "do more for their employees" by using a small portion of the windfall to increase wages and pay bonuses.

These actions are cynical in the extreme, as the companies involved are passing on only a fraction of the bonanza they will receive from the slashing of the corporate tax rate from 35 percent to 21 percent. AT&T, for example, is expected to rake in $1.6 billion in additional income next year just from the lower tax rate—not counting other favorable provisions, whose impact is still unreported—of which it is setting aside $200 million, one-eighth of the total, to pay $1,000 bonuses to its 200,000 corporate employees.

Meanwhile, the telecom giant is going ahead with the holiday layoff of an estimated 600 workers in five states it announced on December 16. The workers, both indoor and outdoor technicians in Illinois, Wisconsin, Missouri, Michigan, Indiana and Ohio, will be out of a job as of January 4.

In February of 2016, the *New York Times*, citing "senior executives" at AT&T, reported that the company was planning to slash its workforce by up to 30 percent, or 60,000 jobs, over the next five years. The article quoted CEO Randall Stephenson as advising AT&T workers to "learn new skills or find your career choices are very limited"—a threat to carry out mass firings.

The actual cost of AT&T's "generosity" will be considerably less than $200 million, since the company will write off the cost of the bonuses as a business expense, reducing its net income and cutting its tax liability accordingly. Meanwhile, workers will pay taxes on the bonuses, slicing the value by $150-$350, depending on their salary level.

AT&T has an additional motive for becoming the first and most prominent corporate endorser of the Trump tax cut. Its proposed $85 billion merger with Time Warner is currently being held up by the Justice Department on anti-trust grounds, amid reports that Trump has demanded that the company sell off CNN as a condition for approval in order to punish the network for what he deems to be overly critical news coverage.

Comcast CEO Brian Roberts announced a similar $1,000 bonus for 100,000 employees. His company owns, among other properties, the NBC television network and its cable affiliates MSNBC and CNBC. While the nominal cost of the bonuses is $100 million, Comcast's haul from the tax legislation could be as much as $1.22 billion from the rate cut alone, besides other benefits.

The four other corporations announcing bonuses, new investments or "corporate giving" linked explicitly to the passage of the tax cut include Boeing, Nexus Services, Wells Fargo and Fifth Third Bancorp. Boeing is a huge government contractor, while Wells Fargo, after a series of corporate scandals, needs to generate favorable publicity and curry favor with the federal regulators and prosecutors.

The two banks said they would increase their minimum wages to $15 an hour, a token gesture given that low-wage jobs such as cleaning and security are already outsourced to contractors. Fifth Third will spend $3 million on employee bonuses, while it stands to net more than $200 million in tax savings from the Trump bill.

Trump celebrated the corporate bonus announcements as vindication of his claims that the tax cut legislation was designed to benefit workers by creating jobs and raising wages. He tweeted Friday morning: "Our big and very popular Tax Cut and Reform Bill has taken on an unexpected new source of 'love'—that is, big companies and corporations showering their workers with bonuses."

Later in the day, Trump signed the $1.5 trillion bill into law before heading off for Christmas to his private estate and luxury resort in Mar-a-Lago, Florida.

The political strategist for the US Chamber of Commerce was more straightforward about the motivations of these companies. "It's an extremely clever way to get the president's attention," Scott Reed told the *Washington Post*. "It reinforces his signature legislative success, and it probably gets them some good points inside the White House."

Trump's media apologists at Fox News and the editorial page of the *Wall Street Journal* celebrated the corporate bonus announcements as though they refuted charges that the tax bill is a handout to the wealthy. But even these media outlets were compelled, in their news coverage, to acknowledge the completely one-sided, pro-corporate character of the tax bill.

A detailed, sector-by-sector analysis of the impact of the tax bill on selected industries published by the *Journal* found, among other things, that Home Depot will boost its profits by around $1.6

billion, that health insurers will gain as much as 20 percent each in profits, that Verizon will see a $1.2 billion profit increase, and that the oil refining industry will receive more than $150 billion in tax savings next year alone. Delta Airlines will save $800 million a year.

Fox Business channel examined how hedge funds prevailed with key Republican congressmen, who drafted the tax legislation to retain the "carried interest" loophole, which Trump condemned during the 2016 election campaign as an undeserved privilege for Wall Street speculators. The loophole allows investor profits to be taxed at the lower capital gains rate rather than at the income tax rate.

Blackstone Group, Carlyle Group and KKR & Co., which together control $2.5 trillion in private equity, "funneled massive amounts of campaign cash into the coffers of Republican leaders in the House and the Senate as these same lawmakers voted for a tax bill that preserves the so-called carried interest loophole," Fox Business reported.

Blackstone alone gave $217,000 to Senate Majority Leader Mitch McConnell's re-election campaign in 2014. Blackstone executives gave $68,000 to House Speaker Paul Ryan's re-election campaign this year, while Carlyle Group chipped in $36,000. These were highly profitable investments, producing legislative results worth billions to these financial parasites.

Despite the massive publicity given to the handful of announcements of worker bonuses, corporations will distribute the bulk of the tax windfall to wealthy shareholders in the form of stock buybacks and dividends, or use the money for mergers and acquisitions, which bid up the price of all stocks, thus rewarding the financial elite as a whole.

While supporters of a cut in corporate taxes, which includes the Democratic Party, claim that slashing the tax rate will generate a flood of productive investment, major US corporations are already sitting on a mountain of cash which they refuse to invest in hiring and production—an estimated $1.63 trillion, according to Standard & Poor's.

According to S&P Dow Jones Indices, cited by the Associated Press, in the 12-month period ending in September, companies in the S&P 500 index spent $517.7 billion on stock buybacks, $414.1 billion on cash dividends, and $1.48 trillion on mergers and acquisitions. These sums dwarf their combined capital investment.

Distributions to shareholders overwhelmingly favor the wealthy. The top 1 percent of the US population owns 40 percent of all shares of stock, while the bottom 80 percent own only 7 percent of shares, mostly in small retirement accounts.

Trump himself admitted, referring to the windfall to US corporations, cutting their tax rate from 35 percent to 21 percent, "That's probably the biggest factor in our plan."

Among the biggest beneficiaries of the bonanza for the wealthy are the president and his family, whose fortunes are based on the real estate industry. They came in for special treatment in a variety of provisions, many of them tucked into the bill at the conference committee, without any public notice or discussion.

Among the provisions tailored to favor Trump, his children, and the family of his son-in-law Jared Kushner, themselves real estate billionaires, were: a 20 percent deduction for pass-through income, initially limited to companies with large payrolls, later expanded to include shell companies like those operated by the Trump Organization; a tax loophole called a "like-kind exchange," which exempts certain exchanges of property from taxation, which was abolished for other kinds of property but retained only for real estate; and a cap on the amount of interest expenses corporations can deduct, except for real estate and hotel companies.

And of course, the reduction in the estate tax helps both the Trump and Kushner families preserve their fortunes, allowing each heir to receive up to $22 million in assets without paying taxes. The tax bill also limits the alternative minimum tax, which accounted for most of Trump's tax liability in 2005, the only recent year for which even limited information is available, and abolishes the AMT altogether for businesses.

Dozens of congressmen will receive direct personal windfalls from the tax cut legislation, a fact which helps explain the undisguised glee of the senators and representatives who assembled at the White House to celebrate its passage with Trump. Three senators in particular—Bob Corker of Tennessee, Ron Johnson of Wisconsin and Steve Daines of Montana—stand to collect additional income of between six and seven figures from the real estate and pass-through provisions alone.

According to an analysis by the Center for Responsive Politics, made public by CNBC, roughly four dozen House and Senate members had combined assets of nearly $400 million in 2015 that will benefit from the real estate and pass-through provisions of the new tax legislation. Only two of them voted against final passage of the bill.

Another big beneficiary of the bill is the House Democratic Leader Nancy Pelosi, whose family real estate fortune is estimated at over $200 million. While Pelosi and other Democrats denounced the tax legislation with full-throated populist demagogy, it is a fact that the Obama administration proposed a cut in the corporate tax rate from 35 percent to 25 percent, and that Senate Democrats sought a deal with Trump along those lines, only to have the president hold out for the lower rate provided in the bill.

While the super-rich rake in billions, the average working taxpayer will net $100 a year in the first years covered by the bill, only to see it all taken away in 2026, when individual rates revert to 2016 levels. Over the full 10-year course of the legislation, 53 percent of US taxpayers will see an increase, not a decrease, in their federal income tax, and these will be overwhelmingly from the working class and lower sections of the middle class.