

NY Times exposé on Trump fortune: An empire built on tax evasion and fraud

“Behind every great fortune there is a great crime” – Honoré de Balzac

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In its print edition on Wednesday, the *New York Times* devoted eight full pages to a 14,000 word investigative report on the financial practices that gave rise to the multibillion-dollar fortune of President Donald Trump.

The article is the result of an 18-month investigation that included interviews with former employees of Trump’s real estate mogul father, Fred C. Trump, and a review of some 100,000 pages of financial records. It presents a detailed, factual case that Trump and his siblings benefited from tax fraud to the tune of at least half a billion dollars.

Even within the context of inheritance tax laws that are riddled with loopholes, some, if not all, of the tax dodges used by the Trumps to evade hundreds of millions of dollars in tax payments were very likely illegal. Whatever the legal issues, however, the picture of criminality and corruption that emerges from the *Times* report is one that characterizes not just the Trump clan, but the corporate-financial oligarchy as a whole.

The *Times* found that Fred and Mary Trump transferred well over \$1 billion in wealth to their children, paying a total of \$52.2 million in federal taxes, an effective rate of about 5 percent. The actual estate and gift tax rate at the time was 55 percent, meaning the Trumps paid less than 10 percent of the \$550 million they owed to the government.

This massive tax fraud was achieved through the setting up of shell companies owned by Donald Trump and his siblings and the systematic undervaluation of the assets of Fred Trump’s real estate empire, which resulted in a sharp reduction in inheritance taxes when the properties were transferred to the children prior to Fred Trump’s death in 1999.

The Internal Revenue Service (IRS) repeatedly cited Fred Trump in the 1950s and 1960s for underpaying taxes. In 1995, it audited his gift tax return and concluded that he had undervalued assets being transferred to his children by 38 percent. But it did nothing to stop the practice, exemplifying its role and that of the government as a whole in running protection for America’s financial aristocracy and facilitating its crimes.

In 1992, the Trump family established a company called All County Building Supply & Maintenance. Its purported purpose was to serve as the purchasing agent for Fred Trump’s buildings, buying everything from boilers and other equipment to cleaning supplies.

In reality, All County was a dummy firm. Its listed address was the Manhasset home of John Walter, a favorite nephew of Fred Trump. Walter was the legal owner of All County, along with Donald Trump and his sisters Maryanne and Elizabeth and brother Robert. The company did not actually organize the purchase of items for Fred Trump’s apartment buildings. Instead, it served as a middleman, systematically padding the prices it charged Fred Trump over and above the actual cost of the purchases, sometimes by 20 percent, sometimes by 50 percent or more.

By agreement with the father, the Trump children used All County as a vehicle for siphoning millions of dollars from the Fred Trump real estate empire to themselves without having to pay gift taxes to the government.

Fred Trump then used the artificially induced hit to the profitability of his apartment buildings to apply for and receive permission from the state to raise rents on tenants in his rent-regulated properties. The *Times* cites Robert Trump as acknowledging in a deposition, “The higher the markup would be, the higher the rent that might be charged.”

The *Times* reported Friday that New York City was joining New York State in investigating the allegations in its report on the Trumps’ finances. The newspaper cited First Deputy Mayor Dean Fuleihan as pointing out that by driving down the profitability of his buildings, Fred Trump may have fraudulently reduced his city property taxes, which are based in part on the profits reported by owners.

In January of 1994, some two years after the founding of All County, the Trumps set up a new firm called Apartment Management Associates Inc. This was, according to the *Times*, yet another dummy company with a mailing address at John Walter’s home. Two months after its establishment, Apartment

Management Associates, owned by Donald Trump, his siblings and cousin Walter, began collecting fees for managing Fred Trump's buildings that previously went to the father's firm, Trump Management.

Like All County, Apartment Management Associates was a mechanism for transferring wealth from Fred Trump to his heirs, without paying gift or estate taxes. The *Times* writes: "By 1998, records show, All County and Apartment Management were generating today's equivalent of \$2.2 million a year for each of the Trump children. Whatever income tax they owed on this money, it was considerably less than the 55 percent tax Fred Trump would have owed had he simply given each of them \$2.2 million a year."

According to the newspaper, Donald Trump, Fred's favorite child and the one most involved in his business dealings, played an active role in these and other shady operations.

The *Times* article goes on to detail how the Trumps transferred assets from father to children in the 1990s, making use of a tax dodge widely used by the super-rich, a grantor-retained annuity trust, or GRAT, to drastically undervalue the assets being transferred and thereby pay only a fraction of the gift taxes legally owed. In this way, the Trumps evaded hundreds of millions in taxes.

The Trumps claimed that the father's properties were worth \$41.4 million. The same buildings were sold off over the next decade for more than 16 times that sum.

"In the end," the authors write, "the transfer of the Trump empire cost Fred and Mary Trump \$20.5 million in gift taxes and their children \$21 million in annuity payments. That is hundreds of millions of dollars less than they would have paid based on the empire's market value, the *Times* found."

Much of the article details the vast sums Fred Trump transferred to Donald, which the *Times* estimates to have totaled \$413 million in today's dollars. The newspaper makes much of the fraud of Donald Trump's claims to be a "self-made billionaire," having received only a \$1 million loan from his father that he parlayed into a multibillionaire-dollar empire.

This is significant in as much as it points to the immense role of inherited wealth in the fortunes piled up by the corporate-financial oligarchs. However, the *Times* focuses on the sham of Trump's self-promoting narrative in order to score political points and distract attention from the more fundamental issue: the pervasive criminality of the corporate-financial ruling elite as a whole, its plundering of society and the complicity of the entire political establishment, which it controls.

The *Times* seeks to present the Trumps as an aberration from the norm for very definite class reasons. It and the Democratic Party with which it is allied are defenders of the capitalist system and the oligarchy that rules it. In fact, its own exposé gives a glimpse of the standard, everyday practice of the ruling class and the official institutions of government—the courts, the regulatory agencies, Congress and the Democratic and Republican parties.

This rampant corruption and criminality have only increased in recent decades, in tandem with the social counterrevolution carried out against the working class, over which both parties have presided. The decades of deindustrialization and decimation of industrial cities and towns have coincided with the ever more dominant role of financial speculation and manipulation in the economic life of the country and, indeed, the world.

Trump embodies the degraded and gangster-like social forces that have risen to the top. He is the product and expression of the decay of American capitalism and capitalist democracy. He is no aberration.

A key mechanism in the social counterrevolution and consolidation of a financial oligarchy has been the systematic skewing of the tax system in favor of the rich and the super-rich.

By 2009, the average federal tax rate on income from work and savings was 18 percent. This compares with 4 percent for inherited income.

Estate and gift taxes have fallen from 2.6 percent of federal revenues in 1972 to less than 1 percent today, even as the share of wealth and income monopolized by the mega-rich has dramatically increased. This process was vastly accelerated with the signing of Trump's tax "reform" in December, which drastically slashed corporate taxes and tax rates for the rich.

Systematic tax evasion by the super-rich, facilitated by the government, is by no means a purely American phenomenon. As a team of economists headed by Gabriel Zucman documented in a study published in August, the 0.01 percent richest households worldwide evade about 25 percent of their taxes just through the hoarding of assets in offshore tax shelters.

With its detailed exposure of the Trump fortune, the *Times* has unwittingly confirmed the insistence of socialists that the continued existence of a parasitic oligarchy is incompatible with the most basic social and democratic rights of the vast majority of the population.

The sordid saga of the Trumps underscores the need for the working class to expropriate the wealth of the oligarchy and put its trillions to use providing good-paying jobs, decent schools and housing, clean air and water, a secure retirement and access to culture for all people. That is to say, the need for the unification and mobilization of the working class to carry out a socialist revolution and restructure society on the basis of social equality and common ownership and democratic control of the corporations and banks.



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