



Biggest Winners on Trump Tax Law Anniversary Are Corporations and the Donor Class

Report of the Senate Finance Committee Democratic Staff

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One year ago today, Republicans sent their partisan tax bill to Donald Trump's desk. Since Trump signed his tax bill into law, America's national debt soared, workers were stranded with a broken promise that their paychecks would increase by \$4,000, corporations announced a record-breaking amount of stock buybacks, and media reports laid out how Trump weakened the estate taxes both he and his family spent decades evading.

Trump's deficit-busting corporate tax cuts endanger Social Security, Medicare, and Medicaid benefits.

Trump's cronies, like [Treasury Secretary Mnuchin](#) and [NEC Director Larry Kudlow](#), continue to spread the shameless and [universally debunked](#) lie that Trump's massive tax giveaways will pay for themselves. According to the official Congressional Budget Office, however, Trump's tax law blew a [\\$1.9 trillion](#) hole in the federal budget.

After trying to mislead the American people about the colossal cost of their corporate tax cuts, Trump and Congressional Republicans are now using soaring debt from their tax cuts as a pretense to slash Americans' hard-earned Social Security, Medicare, and Medicaid benefits. Before the ink on Trump's tax law was even dry, House Speaker Paul Ryan [began touting Medicare cuts](#) as a way to "tackle debt and deficit." In late 2018, Senate Republican Leader Mitch McConnell [put the cross hairs right on Social Security, Medicare, and Medicaid](#), lamenting the "unwillingness to address the real drivers of the debt by doing anything to adjust those programs." After his tax scam passed, Trump himself requested [\\$266 billion in cuts to Medicare, \\$1.4 trillion in cuts to Medicaid, and \\$70 billion in cuts to Social Security](#). Trump lied when he [repeatedly promised](#) not to cut Social Security, Medicare, and Medicaid.

Trump's tax law makes it easier for others to continue the Trump Family tradition of evading taxes.

Donald Trump spent years conspiring with his father and siblings to dodge estate taxes through sham transactions and illegal tax fraud, according to [media reports](#). And Trump's tax law only made dodging estate taxes easier. Before Trump's tax scam, the estate tax helped to curb [growing wealth inequality](#) by taxing the wealthiest [0.2 percent of estates](#). Rather than providing tax relief to working families, Trump chose to double the estate tax exemption, allowing multi-millionaire families to avoid paying any estate tax on their first \$22 million in wealth. Instead of this [\\$83 billion tax giveaway](#) to the donor class – not one cent of which goes into middle class pockets – Trump could have given a \$500 tax cut to every single one of the [162 million](#) working families earning under \$200,000 in 2018.

Corporate executives are using stock buyback schemes to funnel Trump's corporate tax cuts into their own pockets in historical amounts.

Since Trump jammed his massive corporate tax cuts through Congress at the end of last year, major corporations have poured over [\\$900 billion](#) into stock buybacks – shattering numbers reported by companies in past years. By funneling corporate tax cuts into buybacks, corporate CEOs can use these windfalls to inflate stock prices. These inflated prices, in turn, boost [CEOs' stock-based compensation](#) and [enrich foreign shareholders](#).

Publicly-traded companies already broke records in the first quarter of 2018 by announcing [\\$242 billion](#) in stock buybacks. Then, in the second quarter of 2018, these companies announced over [\\$437 billion](#) in new stock buybacks – nearly doubling the record they set in the first quarter of this year.

Meanwhile, a recent Securities and Exchange Commission (SEC) analysis found that corporate executives personally take advantage of stock buyback announcements to line their own pockets, with corporate insiders [selling five times more stock than normal](#) in the eight days following a buyback announcement. In a [June 2018 speech](#) releasing this analysis, SEC Commissioner Robert Jackson warned that, “the Trump tax bill has unleashed an unprecedented wave of buybacks, and I worry that lax SEC rules and corporate oversight are giving executives yet another chance to cash out at investor expense.” On average, Fortune 500 CEOs are already paid [339 times more](#) than their median employees.

Trump’s tax law rewards multinational corporations that ship jobs overseas.

Trump claimed his tax law would bring back American jobs that had moved offshore. In reality, Trump’s tax scam created an “offshoring incentive” that [encourages manufacturers to locate new plants overseas](#). As if that weren’t enough, Trump gave multinational tax dodgers a sweetheart deal on earnings stockpiled offshore with a small one-time tax between 8 and 15.5 percent – rates even lower than his tax law’s already-low 21 percent corporate tax rate. Trump claimed this tax giveaway would lead to “[close to \\$5 trillion](#)” in overseas earnings being brought back to the U.S., but reports indicate that multinational corporations have only returned [10 percent](#) of that amount.

And that’s not the end of Trump’s broken promises. Rather than investing in American jobs, as Trump promised, U.S. multinational corporations funneled overseas funds into [massive stock buyback schemes](#). The [Federal Reserve found](#) that these returning offshore funds were behind a “dramatic increase in share buybacks” – which more than doubled from the last quarter of 2017 to the first quarter of 2018 – and that, “unlike in the case of share buybacks, there [was] no obvious spike in investment” at the start of 2018.

Trump’s pass-through loophole hands windfalls to millionaires and strands Main Street businesses in a bureaucratic twilight zone.

Most Main Street businesses are “pass-throughs” for tax purposes. Pass-through status is vital for the small businesses that fuel local economies and create jobs. However, rather than providing simple and effective tax relief for small businesses, Trump’s tax law created a convoluted 20-percent pass-through deduction that has left small business owners with an [even more complex, more confusing tax code than before](#).

While Main Street begs for help and clarity, the wealthiest Americans are [furiously consulting with high-priced lawyers and accountants](#) to score the biggest benefit from Trump’s tax law. And all these tax planning schemes by the wealthy are going to pay off big time. According to Congress’ official tax scorekeeper, millionaires raked in over [44 percent](#) of the benefits from Trump’s pass-through loophole this year. By 2024, millionaires will grab over 52 percent of the loophole’s benefits.

Trump's tax scam is double taxing the middle class in order to slash taxes for multinational corporations.

Trump chose to double tax middle class families [all across the country](#) by capping the deduction for payments of state and local taxes. This could leave many taxpayers with a surprise tax bill when they go to file their taxes. The state and local tax deduction was originally designed to ensure the federal government couldn't double dip by pretending Americans still had the money they'd already paid out to state and local governments – and then taxing it again.

[85 percent](#) of taxpayers who claimed the state and local tax deduction in 2016 earned under \$200,000. Not even Larry Kudlow, Trump's Director of the National Economic Council, denies this fact. Regarding the Trump's tax law, Kudlow [said in November 2017](#) that, "when you end the state and local deduction, because rates are still relatively high, *you are going to hurt a lot of different people*. So the internal logic was not good and this is not a true tax reform bill."

Trump's limitation of the deduction could put [massive strain on state and local budgets](#), which spend heavily in areas such as education and healthcare, forcing states to cut these vital services. And for what? Just so multinational corporations could [hoard billions in tax windfalls](#).