

US Congress Passes Tax Windfall for Corporations and the Rich

Over token Democratic opposition

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Congress' passage of the Trump administration's \$1.5 trillion tax cut for corporations and the rich marks a new stage in the decades-long social counterrevolution in the United States. It will make America, already the most unequal advanced economy in the world, far more unequal, entrenching the rule of an unaccountable financial oligarchy.

The Senate passed the bill on a strict party-line 51 to 48 vote in the early morning hours of Wednesday following a truncated and perfunctory debate. The House followed suit later on Wednesday, passing the bill 224 to 203, with 12 Republicans joining all 191 voting Democrats to oppose the measure. Most of the Republican “no” votes came from the high-tax states of California, New York and New Jersey, which will be hard hit by provisions limiting federal income tax deductions for state and local taxes.

The legislation is designed to massively transfer wealth from the working class to the ruling elite. At the same time, it will sharply increase budget deficits and the national debt, providing the pretext for an attack on domestic programs, with particular emphasis on the basic entitlement programs: Medicare, Medicaid and Social Security.

Congressional Republicans rushed to pass the legislation in the face of multiple opinion polls showing that a majority of the American people oppose the bill and that popular opposition has grown over the past month. A series of non-partisan analyses of the measure, including by congressional agencies, have concluded that the tax cuts will go overwhelmingly to the wealthiest 10 percent, and that by the end of the decade, the majority of Americans will see their taxes increase.

The centerpiece of the bill is a permanent cut in the corporate tax rate from 35 percent to 21 percent. It is estimated that this will raise corporate revenues by more than \$6 trillion over the next decade.

Other pro-business provisions include the elimination of the corporate alternative minimum tax and a 20 percent tax reduction for owners of “pass-through” companies, such as partnerships and S corporations. At the last minute, commercial real estate developers were added to the list of covered “pass-through” firms, greatly benefiting Trump personally.

On the individual side, the bill slashes the top federal income tax rate from 39.6 percent to 37 percent, reduces the individual alternative minimum tax, and doubles the exemption for estate taxes to \$22 million for married couples.

It includes two provisions to modestly reduce taxes for many middle-income households: 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, such as on mortgage interest and state and local taxes.

It replaces the Consumer Price Index with the so-called “chained” CPI, which underestimates the inflation rate. As a result, taxpayers will move more quickly into higher tax brackets, and many low-income households will become ineligible for the earned income tax credit.

The bill also ends the Obamacare requirement that individuals not otherwise covered buy health insurance from private providers, in many cases with the help of government subsidies. According to the Congressional Budget Office, this will result in 13 million more people without health insurance by 2027 and a 10 percent yearly increase in premiums for policies bought on the individual market.

All of the individual tax breaks included in the bill expire at the end of 2025, meaning that millions will suddenly face increased taxes beginning in 2026.

In the first year of the tax “reform,” middle-income taxpayers will see an average cut of less than \$1,000, while the average member of the top 1 percent will receive \$51,140.

According to various non-partisan analyses, by 2027, 83 percent of the tax benefits will go to the top 1 percent of earners, while 53 percent of the population, including all those making less than \$75,000, will pay higher taxes.

This far-reaching legislation, which will impact every section of American society, has been rammed through Congress in little more than seven weeks, without a single congressional hearing. Trump and the Republicans have sought to sell it to a skeptical public on the basis of brazen lies, insisting that they are cutting taxes for corporations in order to help the “hard-working middle class.”

The Democrats, for their part, have done nothing to seriously oppose this naked piece of class legislation. They themselves advocate a deep tax cut for corporations and spent most of their efforts pleading with the Republicans to be included in talks on the plan.

The entire process has been a travesty of democratic procedures, exposing the fraud of American democracy and underscoring the basic fact that the United States is ruled by an oligarchy that controls the political system and both major parties. It wanted the money and was prepared to do whatever was necessary to get it.

Trump is expected to sign the bill into law in the coming days, although there are reports he may hold off until after the New Year. Following its passage, he told reporters at the White House,

“This bill means more take home pay. It will be an incredible Christmas gift for hardworking Americans.”

Later, in a celebratory demonstration with Republican lawmakers on the Capitol steps, he declared that the bill “means jobs, jobs, jobs!”

It will, in fact, no more provide decent-paying jobs and improved wages than the previous tax “reforms” carried out over the past three-and-a-half decades. The Reagan tax cuts of 1981 and 1986, Bill Clinton’s capital gains tax cut in 1997 and George W. Bush’s tax “reform” of 2001 were all part of a ruling class offensive against the working class, which included sweeping attacks on wages, jobs, pensions, education, health care, housing and other social benefits.

Regressive tax changes have played a major role in engineering a redistribution of wealth from the bottom to the top that has brought social inequality in America to its highest level since the 1920s. The World Inequality Report published last week by a team of economists headed by Thomas Piketty, Emmanuel Saez and Gabriel Zucman noted that since 1980, the top 1 percent and the bottom half of income earners in the US have essentially flipped positions. While the bottom 50 percent received 20 percent of national income in 1980, that figure declined to just 13 percent by 2016. Conversely, the top 1 percent steadily increased their share of national income from 10 percent to 20 percent.

The report warned that the Republican tax cut plan would “turbocharge” a further growth of inequality in America.

The Democratic Party has been no less complicit in this social counterrevolution than the Republicans. The Reagan tax cuts were carried out on a bipartisan basis, and the Bush tax cut of 2001 won the support of a significant section of Democratic lawmakers.

Now the Democrats are using verbal denunciations of the tax bill and party-line votes in opposition to obscure their tacit support for tax changes that benefit the corporations and the wealthy. They are largely attacking the Republican bill from the right, on the basis of fiscal responsibility and economic nationalism.

House Minority Leader Nancy Pelosi, while warning of “plutocracy” (despite personal wealth estimated at nearly \$200 million), has denounced the bill for “exploding the deficit.” *New York Times* columnist Frank Bruni published an op-ed piece Wednesday promoting the Democrats as the “new Republicans,” i.e., the true party of “fiscal responsibility,” along with family values, patriotism, law-and-order, national security and decency.

Bernie Sanders, interviewed Wednesday on CNN, denounced the bill for encouraging US companies to invest abroad and ship “American” jobs to Mexico and China.

The Democrats and their allies in the trade union leadership have not called a single protest against the tax bill, despite broad popular opposition. Their priorities are elsewhere: fomenting anti-democratic campaigns such as the hysteria over alleged sexual misconduct, the war-mongering against Russia and the linked crusade against “fake news.” All of these are designed to mobilize the Democrats’ upper-middle class base around a program to prepare for war, criminalize political opposition and censor the internet.

While they want nothing to do with a mobilization of popular anger over the tax windfall for the rich, the threat to the CHIP children’s health insurance program or the impending mass roundup of young immigrants currently protected under the DACA program, it is reported that the Democrats are preparing for nationwide protests against any move by Trump to fire Special Counsel Robert Mueller.

They are the staunchest defenders of the American secret police and the military, which are

being prepared to violently suppress working class opposition to the capitalist system and all of its depredations.

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