TRUMP, THE PRESIDENCY, TAX CUTS AND SOCIAL IMPLICATIONS

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The issue of Trump's violation of the emoluments clause continues to slowly move through the courts.[1-4] Trump's refusal to recognize the same Constitutional dictates all prior Presidents have understood as a commitment to country over self, may surprise no one. However, Trump's use of public office for personal gain appears to go well beyond his flagrant disregard for the emoluments clause in the US Constitution.

Since Trump took office on Jan. 20, 2017, just 5 months ago, he has shown a disregard for his basic responsibility as a US taxpayer and more of an interest in what's in it for him rather than the nation. This raises a serious concern as to whether Trump's major reason for being President is just to exploit the Presidency for personal gain. For example, Trump wants to repeal the alternative minimum tax, eliminate the inheritance tax, lower the top corporate tax rate from 35 to 15% to include pass-through income (which is what most of his income is) and eliminate all taxes on foreign earnings.[5-9] He wants to eliminate the Patient Protection and Affordable Care Act's 3.8% rate on higher incomes and lower the top income tax from 39.6% to 35%.[8-11] Taken together, these tax cuts would benefit Donald Trump, Trump Enterprises and his family to the tune of tens of millions of dollars per year.[12-15] Of the estimated $2-6 trillion in tax relief over the next decade, half of it would go to the top 1% of wage earners, which includes Donald Trump.[16] The GOP plan embraced by Paul Ryan is even worse in that the top 1% of wage earners would receive 77% of the tax cuts, with the middle class getting a mere 2.5% benefit.[17]

Tax cuts are often promoted as good for business, jobs and the economy.[18-19] However, efforts to promote tax cuts often fail to account for their impact on government investment and services.[20] Government doesn't just provide the same level of services with less tax revenue. It either increases the debt, encumbering future costs (at the federal level) or reduces services and investments, at the state and local level, to compensate for lower tax revenues. Increased business profits are not automatically invested in expansion, more jobs or increased production. Production is linked to demand, with higher profits often leading to larger executive pay and larger dividends to investors. A number of large corporations are even known to take US profits, funnel them to off-shore accounts and declare them to be foreign gains, bypassing any obligation to pay federal tax.[21]

Efforts to reduce corporate tax rates starts by complaining that corporate tax rates are the highest among Western Democracies at 35%, but ignoring the reality that the average corporate tax rate in the US is less than 20% among 288 of the Forbes top 500 companies.[21] In addition, some of the largest US corporations pay no federal income tax at all.[21-22] To make matters worse, a small number of large, profitable US corporations receive tax subsidies (corporate welfare) that cost tax payers tens of billions per year.[21-22] It is estimated that US corporations today provide less than 10% of federal tax revenue, down from 25% in the 1950's.[21] It is taxpayers who have ended up paying for that lost federal revenue, along with a higher cost for essential needs such as education and health care. Today, retail stores are closing across America because they lack customers to buy their products, not because there are an insufficient number of products to sell. The consequence has been a loss of retail service jobs 18 times larger than the loss of coal jobs since 2001.[23] The mantra that tax reductions stimulate economic growth and increase tax revenues also has no valid confirmation. Prior tax cuts in both the Reagan and Bush administrations produced less than $0.20 in tax revenue for each tax dollar reduced.[18]

Cuts to healthcare by the House or Senate versions will lead to the loss of tens of billions to state economies. In Kentucky alone, repeal of the Patient Protection and Affordable Care Act (PPACA) may save Trump millions/year, but it will cost Kentucky an estimated 55,949 jobs[24] and $4.1 billion/yr in federal dollars.[25] It will raise the number of Kentuckians without health insurance by over 200% (486,000) for the benefit of a handful of Kentuckians who would receive $667 million in tax breaks.[25] Although Republicans complain about Keynesian economics, which places the focus on demand and the role of government in stimulating economic demand and output, the opposite approach of focusing on supply alone by cutting taxes and reducing protections has not proven an effective economic strategy.[26]

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