

**MEMORANDUM**

TO: Editorial Writers & Columnists

FR: Frank Clemente, Executive Director

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**TRUMP TAX-DODGING SCANDAL IS ABOUT MORE THAN HIM:  
BILLIONAIRE PAYING ZERO TAXES HIGHLIGHTS RIGGED SYSTEM**

*Nurses & Teachers Paid More Tax Than President in Recent Years;  
Trump Made Things Worse With 2017 Tax Law; Biden Offers Reforms*

WASHINGTON, D.C. — The [New York Times expose](#) of Donald Trump’s tax-paying history is about more than the questionable moral and legal choices of the president, as important as those are. It also reveals how rigged the tax system is in favor of the wealthy, especially those in real estate; the fragility of Trump’s finances; and the threat his perilous condition poses to U.S. national security.

This memo covers these issues, explains key features of Joe Biden’s tax plan, and reviews the effects of the Trump-GOP tax cuts on the pre-pandemic economy. We urge you to write a column that encompasses these issues to educate citizens as they vote this fall.

**How Trump’s Tax-Paying Record Compares to Others**

Trump, [worth \\$2.5 billion](#) according to a recent estimate by Forbes magazine, **paid no federal income taxes for 11 out of 18 years between 2000 and 2017 and paid just \$750 in 2016 and in 2017**, the Times reported. In comparison, in 2017 a typical nurse or schoolteacher [paid on average nearly \\$5,000](#) in federal income taxes; a firefighter paid about \$2,500; and a bus driver, around \$900. Over that 2000-17 span, Democratic presidential candidate Joe Biden [paid a total of almost \\$5 million](#) on \$16.4 million of income—an **average tax rate of 30%**.

Only for a few years in that 18-year period—in the first decade of the century, when his TV show, “The Apprentice,” was at the height of its success—did Trump pay substantial federal income taxes. But he soon clawed all that money back (plus interest) by filing for, and receiving, a [\\$73 million refund](#). The I.R.S. has been auditing the legitimacy of that refund ever since.

**Trump’s Tax Returns Show He May be Breaking the Law**

According to the Times, Trump wrote off as business expenses such personal costs as the:

- Legal defense of Donald Trump Jr. in Special Counsel Robert Mueller’s Russia inquiry.
- \$70,000 for his costly hair care and \$95,000-plus for makeup services.
- Consulting fees of more than \$700,000 paid to his daughter Ivanka, even though she already worked for the Trump Organization, thus artificially upping costs to lower tax bills.
- Property taxes totaling \$2.2 million on a huge estate outside New York City that the Trump family has routinely used as a personal “retreat,” not a business.

### **Trump’s Precarious Financial Situation Poses a National Security Threat**

Donald Trump’s businesses are failing, and his huge debts may pose a significant conflict of interest and a potential national security threat. As the [Times reports](#), Trump “is personally responsible for loans and other debts totaling \$421 million, with most of it coming due within four years.” It is not clear to whom this money is owed or what leverage they have over Trump. Experts say that level of debt [might block security clearance](#) for most federal employees.

### **Trump’s Tax Dodging Reveals a System in Need of Major Reform**

Trump [exploits numerous loopholes](#) favoring the real estate industry that lobbyists—including [Trump himself](#)—have inserted into the tax code. The 2017 Trump-GOP tax law preserved all those special breaks, and even [added a few more](#). Examples of real estate’s tax privileges:

- **Tax-Reducing Losses:** Unique among businesses, real estate “passive losses” (like from a failing apartment building or golf course) can be used to reduce income from a job or other sources. And because of its boom-and-bust nature, real estate is particularly well-positioned to take advantage of loss “carrybacks,” such as [Trump did in 2010](#) and other real estate pros are undoubtedly doing now thanks to a provision in the CARES Act.
- **Depreciation:** Businesses can write off, or “depreciate,” the cost of certain property over time, reflecting gradual wear and tear that reduces value. But unlike, say, trucks and machinery, real estate often gains value over the years. Yet real estate professionals like Trump are still allowed to depreciate commercial properties that are actually rising in market price, cutting their taxes even as their wealth grows.
- **Like-Kind Exchanges:** Capital gains taxes are usually due when an asset is sold for more than it cost. Before the Trump-GOP tax law, investors in tangible items like real estate could indefinitely delay paying if they kept reinvesting the proceeds in another item—what is called a “like-kind exchange.” If these gains were continuously rolled over until the taxpayer dies, they were never taxed at all. The Trump-GOP tax law closed the like-kind-exchange loophole—[except for real estate investors such as Trump](#), who got to keep this handy way of avoiding taxes on their gains.

### **Joe Biden’s Tax Plan**

[Biden’s tax plan](#) would repeal or modify several key provisions of the nearly [\\$2 trillion Trump-GOP tax cuts](#), which mostly benefited the rich and major corporations. It would make the tax system and the overall economy much fairer by closing loopholes and increasing taxes on the rich and corporations, and **raising \$4 trillion** to improve public services, strengthen Social Security, and make new investments to build an economy that works better for everyone.

Biden’s plan **would not directly tax any household making less than \$400,000** a year, a point confirmed by [PolitiFact](#), [FactCheck.org](#) and the Washington Post’s [Fact Checker](#). **Moody’s Analytics recently declared the [Biden plan would be better for the economy](#)**—and add 7.4 million more jobs—than Trump’s tax-cuts-for-the-rich, trickle-down policies.

Among [Biden’s most important reforms](#) are:

- **Increasing the domestic corporate income tax rate from 21% to 28% and imposing an “Offshoring Tax Penalty” that raises the rate to 30.8%.** The 2017 Trump-GOP tax law

lowered the corporate tax rate from 35% to 21%, a massive 40% tax cut. Biden will recover half of this giveaway. It will also [impose a 3.8% tax on top](#) for domestic companies that produce offshore for the U.S. market. **REVENUE RAISED:** \$1.3 Trillion

- **Applying Social Security taxes to wage income above \$400,000.** Income over \$137,700 is not now subject to Social Security payroll taxes. To strengthen Social Security, [Biden will begin to apply this 12.4% tax](#)—split evenly between employer and employee—on wages above \$400,000. This will allow the minimum benefit to be increased and ensure full benefits can be paid for decades to come. **REVENUE RAISED:** \$962 Billion
- **Making the richest taxpayers pay the same tax rate on income from wealth (capital gains) as they pay on income from work (wages and salaries). Closing the loophole that lets the wealthy pass assets to heirs without paying taxes on the accumulated increase in the value of those assets.** Biden will end a loophole that lets the wealthiest pay a lower percentage of their income in taxes than do ordinary Americans. A main way they do this is because of lower tax rates—topping out at just 20%—on long-term capital gains. These are the profits from the sale of stock, real estate, a business or other financial asset held over a year. Biden will end this discount for those earning over \$1 million, so they pay the same top rate on capital gains as they would on wages and salaries—39.6% under his plan. Biden will also end the “stepped-up basis” loophole, which will require the wealthy to pay income tax on previously untaxed capital gains at the time of transfer to heirs. **REVENUE RAISED:** \$448 Billion
- **Closing real estate tax loopholes.** Biden will end “like-kind exchanges” and curb the depreciation and passive-loss rules that have helped Trump so much. **REVENUE RAISED:** \$294 Billion

### **Effect of the Trump-GOP Tax Cuts on the Economy**

The president brags that he had created the “best economy in history,” which was due significantly to his tax cuts. However, even before the pandemic, Trump’s tax cuts had failed to fulfill their promises, as detailed in this [Chartbook](#):

- **On Fairness:** It was **not a middle-class tax cut**. This year the top 1% will get as much in tax cuts—\$78 billion—as the bottom 80%. Nearly 100 big profitable corporations paid zero federal income taxes in the law’s first year.
- **On Jobs & Wages:** It did **not improve wage gains** for workers: average pay hikes in the first two years under the law lagged those under the last two years under Obama-Biden. **Job growth did not accelerate** either—it was nearly identical over those two periods.
- **On the Deficit & Economy:** The tax cuts **will not pay for themselves**, but instead add \$1.9 trillion to the national debt; the deficit soared in the first two years of the law. The law **did not boost the economy**: in those first two years, economic growth was very similar to the Obama-Biden years. **Business investment did not boom**.

**Economic Response to the Pandemic:** Six months after the CARES Act, Trump and the Senate have still [failed to pass a serious follow-up](#) coronavirus aid bill, despite millions falling ill and losing health insurance, and tens of millions jobless and hungry. In those same six months, roughly [650 billionaires collectively got \\$845 billion richer](#), a nearly 30% leap in wealth. Regular workers did not fare as well. From mid-March to mid-August, the collective work income of rank-and-file private-sector employees—all hours worked times the hourly wages of the entire bottom 82% of the workforce—[declined by 4.4%](#), according to Bureau of Labor Statistics data.