

Republican Tax Plan Giveaways to Wall Street

Wall Street banks are already expert tax-dodgers. According to [Institute on Taxation and Economic Policy](#) data, nine of the largest and most profitable U.S. banks paid an average federal tax rate of only 18.6% between 2008 and 2015 — far less than the statutory rate of 35%. By using various loopholes, these banks avoided paying about \$80 billion in taxes that could've helped make college more affordable, provided preschool for millions of children, or helped repair our aging infrastructure. Tax plans from President Trump and House Republicans would only make it easier for Wall Street to rig the tax code and avoid paying their fair share.

1. Tax-dodging banks would pay even lower rates

President Trump's plan would slash the corporate tax rate from 35% to 15% and House Republicans are considering a 20% rate. Republican leaders are not proposing to close the major loopholes that allow big banks and corporations to get away with paying rates much lower than the statutory rate. So under these proposals big banks and Wall Street billionaires would have a dramatically lower tax rate — and still benefit from loopholes that allow them to pay even less. Bloomberg estimates that the six largest U.S. banks (Bank of America, Citigroup, Goldman Sachs, J.P. Morgan Chase, Morgan Stanley, and Wells Fargo) would save a [combined \\$12 billion](#) annually under Trump's proposal to reduce the corporate tax rate to 15%.

2. Banks that have been stashing huge piles of profits offshore would get a huge tax cut

Wall Street and corporate lobbyists have won loopholes that allow corporations to legally shift profits earned in the United States to foreign nations with low or no corporate taxes. Corporations still owe U.S. taxes on their global profits at the 35% rate (minus the amount they pay in foreign taxes), but they can defer these payments indefinitely. Financial firms are particularly adept at this tax-dodging game. In 2015, seven of the 20 U.S. companies with the most subsidiaries registered in tax havens were Wall Street banks. The six largest U.S. banks held \$149 billion in profits offshore in 2016 on which they owed \$35 billion in U.S. taxes, according to their SEC filings. Trump's tax plan would let the banks dodge more than 70% of those taxes—an estimated \$25 billion—by slashing the tax rate to 10%.

	Offshore profits in 2016 (\$mill) ^a	Estimated U.S. tax bill on offshore cash under current law ^a	Tax savings if Trump's rate cut is approved ^b	Tax haven subsidiaries ^c
Bank of America	17,800	4,900	3,500	109
Citigroup	47,000	13,100	9,357	140
JPMorgan Chase	38,400	8,800	6,286	385
Goldman Sachs	31,240	6,180	4,414	987
Morgan Stanley	12,006	1,111	794	669
Wells Fargo	2,400	653	466	52
Total	148,846	34,744	24,817	2,342

Sources: a) Institute on Taxation and Economic Policy, [Fortune 500 Companies Hold a Record \\$2.6 Trillion Offshore](#); b) ATF calculations based on a 10% repatriation rate; c) U.S. PIRG, Citizens for Tax Justice, and Institute on Taxation and Economic Policy, [Offshore Shell Games 2016](#)

3. Hedge fund owners could get as much as a two-thirds cut on their individual tax rates

Many hedge funds and other Wall Street firms organize as partnerships or other business entities that allow them to pay their business taxes at individual rates. Trump has proposed taxing the income of the owners of these so-called “pass-through entities” at just 15% (20% for undefined “larger” entities) — far below the current top rate of 39.6%. This would be a [\\$1.5 trillion](#) giveaway over 10 years, according to the Tax Policy Center, which would mostly go to Wall Street billionaires and the richest 1%.

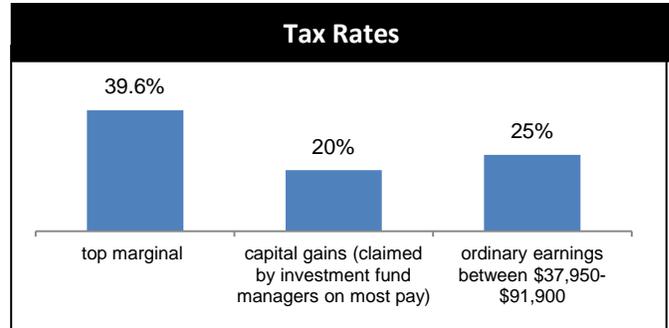
4. Heirs to Wall Street fortunes would enjoy a massive cut in estate taxes

On top of other tax breaks for the rich, both Trump and House Republicans want to repeal the estate tax, which now functions as a brake on dynastic wealth accumulation. The families of Wall Street financiers stand to make exceptionally large gains from this cut. The 93 people on the [Forbes 400](#) list of richest Americans who made their money through investments and finance have combined wealth of \$491 billion. Eliminating the estate tax on these fortunes alone might funnel about \$81 billion into the pockets of Wall Street titans' heirs, assuming an effective [estate tax rate of 16.6%](#).

Wall Street Banks and Financiers Must Pay Their Fair Share

After driving our economy off a cliff with their recklessness and greed, the biggest banks benefited from taxpayer-funded bailouts and returned to profitability. Wall Street profits are once again driving sky-high pay for senior executives, even as the rest of the country continues to struggle. Instead of cutting rates on corporations and the wealthy in this time of record income inequality and corporate profits, we need to comprehensively reexamine the adequacy and fairness of our current tax system. In addition, the following specific reforms would help ensure that Wall Street pays its fair share, generating an estimated \$936 billion in revenue over 10 years.

Close the Carried Interest Loophole: Private equity funds and hedge fund executives slash their tax bills by classifying income as capital gains rather than ordinary income. Thus, they pay only 23.8% (20% capital gains rate plus a 3.8% investment surtax) on much of their income, rather than the 39.6% they would normally owe. This means some of the wealthiest Americans pay a lower tax rate than millions of middle-income workers, including many teachers, firefighters, and nurses.



Wall Street Speculation Tax: Working families pay sales tax when they buy anything from a car to a pair of shoes. But when Wall Street traders buy millions of dollars in derivatives they don't pay any tax at all. A tiny fee at rates of a few pennies per \$100 of trading on stocks, bonds, and derivatives would raise more than \$700 billion over 10 years and discourage destabilizing short-term speculation.

Subsidized Pay for Trump Tax Architect

The lead architect of Trump's tax plan, former Goldman Sachs President Gary Cohn, received more than \$72 million in fully deductible performance pay in 2016. That payout for just one man lowered Goldman Sachs's IRS bill by an estimated \$25 million, according to an Institute for Policy Studies analysis. Cohn now leads Trump's National Economic Council.

End the CEO Bonus Loophole: Current law allows banks and other corporations to deduct unlimited amounts of executive compensation from their taxable income — if the pay is “performance based.” This gives banks an incentive to perpetuate the reckless Wall Street bonus culture that was a key factor in the 2008 financial crisis. According to the [Institute for Policy Studies](#), the top 20 U.S. banks paid out more than \$2 billion in fully deductible performance bonuses to their top five executives between 2012 and 2015, for a taxpayer subsidy of \$725 million.

Leverage Fee on Large Financial Firms: Before the financial crisis, the largest Wall Street banks borrowed excessively. When these and other “too big to fail” financial institutions could not repay their debts, taxpayers were on the hook for huge bailouts. A small tax on the riskiest big bank borrowing could raise significant funds while discouraging future bailouts.

Close other Wall Street Loopholes and Tax Avoidance Schemes: Other measures that would make Wall Street pay its fair share include closing the reinsurance loophole that allows hedge funds and certain insurers to transport money to untaxed foreign “reinsurance” subsidiaries, requiring private equity firms to report bogus “monitoring fees” as taxable income, and more transparency to ensure complex derivatives contracts are not used to avoid taxes.

Reform	Revenue over 10 years
Wall Street Speculation Tax	\$717 Billion
Leverage Fee on Large Financial Institutions	\$111 Billion
End the CEO Bonus Loophole	\$50 Billion
Mark to Market for Derivatives Contracts for Tax Purposes	\$21 Billion
Close Carried Interest Loophole	\$19 Billion
Crack Down on Bogus Private Equity Monitoring Fees	\$10 Billion
Close the Reinsurance Loophole	\$8 Billion
Total	\$936 Billion

Sources: U.S. Treasury and Joint Committee on Taxation.

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TAKE ON WALL STREET

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