



Mr. Trump and the Super-Person Tax Rate

Posted on May 9, 2017 by David Obringer

Working people who felt forgotten or ignored by the government voted for a change. What used to be a fairly solid voting block has been split. Now the person who touted himself as the representative of working people will be judged on his actions. There has been much activity in politics since January, but for today let's parcel out one of Donald Trump's proposals on taxes and consider whether or not it will help working people.

Looking at Mr. Trump's tax plan, I imagine giving students an assignment in September that is due at the end of the semester. The assignment is to revise the tax code and stimulate job growth. At the end of three months a student hands in a one page, double spaced paper with a dozen bullet points. It is an F.

This is what was offered by Mr. Trump. After more than a year of campaigning and three months as president elect, Mr. Trump presents America with a one page double space document with a dozen bullet points. He has not put much thought or effort into a tax plan or perhaps he doesn't know how. Regardless, he too gets an F. But let's focus on one of the bullet points. The feature of "plan" that jumps out for me is the tax rate on businesses. It is a proposed 15%.

The idea of reducing taxes on business is rooted in supply side economics that believes the more profitable a company is the more they will hire workers. More people working means more tax revenue that compensates for the decrease in corporate tax income. The theory behind this is known as the Laffer Curve.

Economists debate the validity of this as they do most economic questions. What cannot be disputed is that under Mr. Trump's plan, businesses will have a lower tax rate than the average person. Remember, Mitt Romney famously pointed out, businesses are people too.

The evolution of how businesses became people is outlined in an article found in [*Mother Jones*](#). While the Supreme Court has given business the same rights as individuals in political contributions (Citizens United Case) and religious freedom (Hobby Lobby Case), we now see that businesses have super-person rights as they qualify for lower tax rates.

The 39.1% tax rate on U.S. corporations, touted as the highest in the world, is a mere speed bump to the legions of tax lawyers employed by corporations. In fact, the [*World Bank and International Finance Commission in a 2014*](#) study, put the effective U.S. tax rate for businesses at 27.9%.

This is close to the tax bracket for an average working person. According to the Census Bureau the average salary in the U.S. in 2015 was \$56,516 a year. At this salary a worker would be in the 25% tax bracket.

The proposed tax "plan" would mean corporations making millions are taxed at a lower rate than the average individual. This would be true if they paid at the statutory rate of 15%. It is doubtful that corporations would pay this much. Just as they manage to reduce the 39.1% down to 27.9%, they will certainly reduce the 15% rate. In fact, a [*CNN Money report*](#) in April of 2016, reported that 20% of corporations pay no taxes at all.

There is every reason to have businesses and corporations in society. They provide all the necessities of life, food, clothing, shelter. Beyond that they offer financial vehicles, entertainment, communication, transportation and the endless list of all the niceties society has come to expect. This does not mean that society is beholden to them and should grant them privileges such as reduced taxes.

I do not consider myself the equal of a large corporation. I do not have the financial wherewithal to afford a staff of lawyers, lobbyists, accountants, maintenance workers, housekeepers or office workers to do my bidding. Yet, in the eyes of the Supreme Court General Motors, Caterpillar, Apple, Proctor and Gamble and me, are on equal footing. And

despite all our obvious differences, I hold no hope of the Supreme Court changing their opinion on this.

Going back to the self-proclaimed representative of the worker, Mr. Trump proposed a “plan” to have average workers’ pay more than corporations. A true advocate of the worker would not elevate the rights of corporations above the rights of individuals.

Since we cannot convince the Supreme Court that businesses are not people, the least we can hope for is that they are not considered more privileged than individuals. If corporations want to enjoy the benefits of individuals, they should enjoy the same tax rates.

Author



• [David Obringer](#)