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BIG TAX LOOPHOLES FOR WEALTHY THAT WERE SNUCK INTO CARES ACT DESERVES MEDIA SPOTLIGHT

Rich Business Owners—Maybe Including Trump—Allowed Costly Break on Old Losses

WASHINGTON, D.C.—Little noticed when the $2.2 trillion Coronavirus rescue package was enacted were two expensive tax breaks for corporations and wealthy business owners snuck into the CARES Act that are starting to garner critical attention and opposition. Joe Biden is just one political leader pushing back on special favors that will let hedge fund managers, Wall Street lawyers, real estate tycoons like President Trump and big corporations grab nearly $200 billion by transforming old tax liabilities into fat refunds, while doing little or nothing to relieve the health and economic suffering of ordinary Americans. A payday for the kind of rich households riding out the pandemic in seaside mansions and mountain retreats, these tax handouts deserve exposure by the media.

The two provisions temporarily repeal two parts of the 2017 Trump-GOP tax law that limit the use of business losses to lower tax bills. With the economy shut down, most businesses will rack up huge losses this year; allowing them to use those losses to lower their taxes and free up precious cash makes some sense. But the new law goes much further, handing corporations and owners of the biggest non-corporate businesses—such as real estate firms like the Trump Organization, hedge funds and Wall Street law firms—gratuitous tax breaks that bear no relation to the current emergency and waste precious dollars that could be saving those in dire need.

- Presumptive Democratic presidential candidate Joe Biden is already calling for the loopholes' repeal to pay for his new student-debt relief proposal: "I would finance this new student debt proposal by repealing the high-income 'excess business losses' tax cut in the CARES Act. That tax cut overwhelmingly benefits the richest Americans and is unnecessary for addressing the current COVID-19 economic relief efforts."

- U.S. Senator Sheldon Whitehouse and Congressman Lloyd Doggett, each a member of his chamber's tax-writing committee, are demanding documents from the Trump Administration to uncover the lobbying that slipped this expensive giveaway into emergency legislation: "Senator Sheldon Whitehouse (D-RI) and Congressman Lloyd Doggett (D-TX) are pressing the Trump administration to explain tax provisions in the recent COVID-19 relief bill that cost roughly $195 billion and have no connection to combatting the coronavirus pandemic and its economic fallout. According to reports, beneficiaries of the tax giveaways may include President Trump, his son-in-law Jared Kushner, and 'real estate investors in President Trump's inner circle.'"

- The New York Times has highlighted the boon the loopholes will be to real estate developers like President Trump and his son-in-law and adviser Jared Kushner: "Senate Republicans inserted an easy-to-overlook provision on page 203 of the 880-page bill that would permit wealthy investors to use losses generated by real estate to minimize their taxes on profits from things like investments in the stock market. The estimated cost of the change over 10 years is $170 billion."

- ATF, a leading tax-policy watchdog, has blasted the tax giveaways in a letter to Congress and in a press release that demands they be curtailed in the next COVID-19 relief bill: "Americans for Tax Fairness strongly objects to two overly broad and costly tax hand-outs to wealthy businesses gratuitously included in the recent Coronavirus Aid, Relief and Economic Security (CARES) act, and to urge Congress to curtail these provisions in the next COVID-19 rescue package. Coming as it does during an unprecedented national emergency of widespread suffering, this unwarranted assistance to wealthy business owners is particularly outrageous."

- Respected think tank Institute on Taxation and Economic Policy explains the provisions here: "The CARES Act allows pass-through business owners to offset all their non-business income with their pass-through losses, waiving the limit of $250,000 for unmarried taxpayers and $500,000 for married couples. This provision of the CARES Act therefore exclusively benefits those with non-business income exceeding those amounts. Even more astounding is that the CARES Act suspends the limit not just for 2020 (the year affected by COVID-19) but also retroactively for 2018 and 2019."

- Orlando Sentinel investigative and business reporter writes: "Some of the tax breaks will let corporations reclaim taxes paid on profits as far back as 2013. Another benefits the nation's richest investors and business owners." … "The change is a boon for real-estate investors in particular, said Amanda Wilson, a shareholder at Lowndes, the Orlando law firm. That's because real-estate investors frequently generate big losses — typically only paper losses for tax purposes — by buying buildings and then writing them off over time, even if the value of the building is rising in the real world."

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