

Trump's tax reform: it does not get much worse t...

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I have already offered some comment on Trump's tax bill. Let me offer some more.

We saw the essence of Trump's politics in action at the UN yesterday. As the [Guardian noted](#):

Donald Trump has threatened to withhold "billions" of dollars of US aid from countries which vote in favour of a United Nations resolution rejecting the US president's recognition of Jerusalem as the capital of Israel.

"Let them vote against us," he said.

"We'll save a lot. We don't care. But this isn't like it used to be where they could vote against you and then you pay them hundreds of millions of dollars," he said. "We're not going to be taken advantage of any longer."

I believe him in one sense: he does not care. His perspective is short term. Like the typical CEO, which is what he thinks he is, he knows he will be out of office soon, and as a consequence is only worried about relatively minor, but impactful current objectives. And in the tradition of the American CEO he is treating the assets of the organisation he controls, in this case those of the US government, as if they were his own. As a result he is willing to bully, and cause harm, using the withholding of US government funds to suit his own, wholly irrational, personal objective.

I think the same approach is evidenced in the tax bill. As Professor Stephanie Kelton put it yesterday, in a tweet, so what if the average tax cut for many Americans may be little more than \$60? If no one else is giving them anything they may thank Trump in any event, and that is precisely the purpose of his action. He is literally using US government funds to buy votes for his corrupt cause.

How corrupt? He [will benefit](#) by \$15 million a year, it is thought.

And worse, it will not work. As a press release from the US based FACT coalition (which campaigns for tax justice) said last night:

"This bill fails on what was said to be its most basic promise: to stem the offshoring of jobs and increase wages in the United States. Sadly, it does nothing to effectively keep companies from moving profits or jobs overseas to avoid paying taxes.

"In fact, it achieves the opposite.

"Under this bill, if a company makes things in the U.S. they will pay roughly twice as much in taxes as if they move their profits offshore. If they move actual jobs and factories overseas, they could get their taxes down to zero. No one, not any of the supporters of this bill, has ever explained why a lower rate on offshore profits will not create a new, powerful incentive to move operations overseas. In short, the bill encourages multinational companies to have as little a presence in the U.S. as possible.

"We have been very critical of the current corporate tax system over the years, especially the ability of multinational companies to delay paying the taxes they owe. But, as bad as the corporate tax system was, this bill makes matters worse.

"Additionally, the bill contains a giveaway of more than \$400 billion on what multinational companies currently owe on past profits they booked offshore. One of the biggest benefits in this entire bill goes to a small number of very large companies that dodged taxes for years. We are now rewarding them for the clever tax games and gimmicks. There is no economic rationale for a discounted rate on profits that were already made.

"These changes will fuel a tax haven industry that has been the subject of both U.S.-based and international criticism as a result of the revelations in the recent release of the Paradise Papers.

"Under current rules, taxpayers lose more than \$100 billion each year to offshore tax dodging. Congress' own nonpartisan economists estimate that we will lose an additional \$14 billion with the new provisions.

"The new rules will undermine our ability to manage our nation's financial future. We can only hope that Congress will revisit this harmful legislation in the coming year."

It does not even do what it says on the tin. Instead it's short term looting for Trump's gain. It does not get much worse than that.