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The Hidden Unfairness In the Tax Cuts and Jobs Act's Extension

By **Thomas Cryan** March 07, 2025

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All eyes are on Congress as they scramble to extend the 2017 Tax Cut and Jobs Act (TCJA), which will shrink the nation's coffers by an additional \$4.5 trillion over ten years, according to conservative estimates. This begs the question: where exactly will those trillions of dollars end up? The answer is one of the worst-kept secrets in Washington: the vast majority of those tax cuts will leave this \$4.5 trillion in the pockets of the wealthy and corporations. What's less obvious is how this impacts society.

When discussing the "redistribution of wealth," we almost always think about taxing the rich to benefit the poor and working class. But what happens when effective tax rates for corporations shrink to almost nothing (or actually nothing) while American workers continue to pay? The answer to this question is one of Washington's hidden realities: American workers provide almost all federal revenues—and they suffer as a result. As remarkable as it might sound, **almost 90% of all Federal Tax Revenue now comes from workers' salaries and incomes, while taxes on corporations now contribute about 10%**. Specifically, the Top 50% of all taxpayers (Salary of \$50,339 and up) pay 97% of the 90%; and the Top 1% of all taxpayers (Salary of \$663,164 and up) pay **40% of the 90%**.

For historical context, in 1945, the tax burden was split equally between individuals and corporations, each contributing about 40%. The Tax Laws of the 1940s, 50s, 60s, and 70s fostered a shared burden between individuals and corporations, between the wealthy and the poor, and the nation advanced. Annual budgets approached being balanced, and the national debt reached a low of 21% of GDP in 1976 (today, we have a 120% ratio).

Powerful changes in the tax laws from 1981 to 2017 shifted the burden further and further onto the salaries of working Americans. What's more, they provided myriad ways for the wealthy to disguise and protect their income, earnings and wealth. Pass-through profits, depreciation, investment earnings, and strategies such as "**Buy, Borrow, Die**" are among the many advantages that allow many wealthy people (and especially ultra-wealthy people) to legally game the system further.

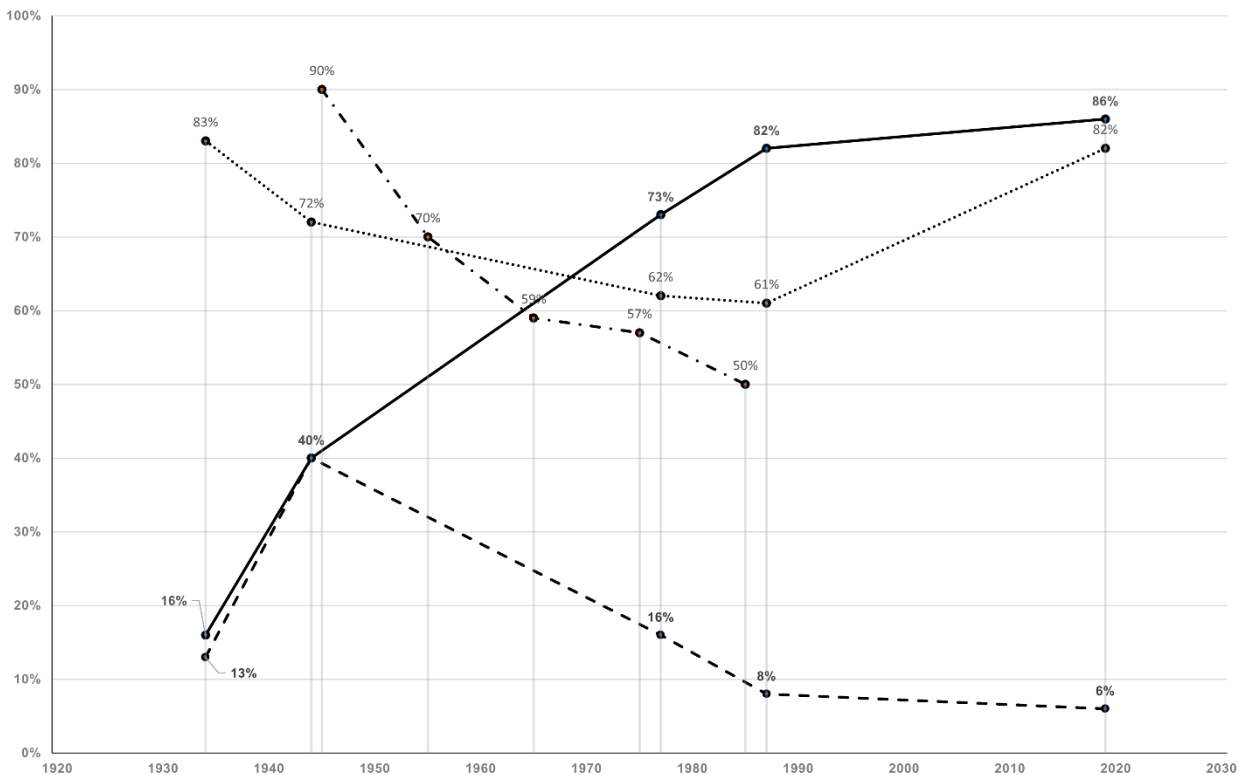
Amazingly, these tax changes amount to the largest redistribution of wealth in American history, away from the working class to the wealthy. While many American workers hand over 20-37% of their paychecks every week, 99% of corporations pay next to nothing and the Wealthy often pay very low tax rates. Though the effective tax rate of the wealthy can be difficult to determine, with all the loopholes and exemptions (and the secrecy around tax information), nevertheless, respected groups such as the **Poynter Institute** and **ProPublica** estimate on average the Wealthy have a tax rates somewhere between 10% and 20%; and at times, ultra-wealthy, such as Elon Musk, Warren Buffet, and Jeff Bezos, might find ways to legally pay as little as **0.1%**.

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tax favoritism for the wealthy includes increasing the estate tax exemption from \$5 million to \$13 million and providing a step-up in basis for a 0% capital gains tax rate, which allows massive wealth to pass between generations at a 0% tax rate.

Not coincidentally, we now have the largest wealth gap in our modern history, with 10% of the population owning 82% of the wealth—very similar to the wealth gap that preceded the Great Depression. When there is a large wealth gap, the American Dream is far more difficult to achieve for the working classes. Simply put, less of the economy is available to be obtained via hard work and through salaries, limiting people's ability to achieve success, no matter how hard they strive.

This is proven in the data, as you can see in the chart below—and the effects are devastating. In the 1950s and 60s, the American Dream thrived as children born in those years had a 90% chance of earning more than their parents. Fast forward to today, and the picture is much grimmer. Young adults born in the 1980s or after have **less than a 50% chance of earning more than their parents**. And it could get much worse. This decline of the American Dream tracks directly with the shift in the tax burden. As the working and middle classes get saddled with providing more and more of the federal budget, they cannot thrive.



*The Solid Line shows the Percentage of Total Federal Tax Revenue paid by Individuals on Salaries and Income.

*The Dashed Line shows the Percentage of Total Federal Tax Revenue paid by Corporations.

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*The Dotted Line shows the Percentage of Total Wealth Owned by 10 Percent of the US Population: the Wealth Gap.

Other possibilities do exist that could restructure the tax code to correct these inequities and bring fairness and proportionality to the tax system. In my new book, *Disrupting Taxes*, I examine an Automated Banking Transaction (ABT) Tax that could eliminate the Self-Declared tax filings of corporations and individuals and replace them with a very small technology-driven automated banking transaction tax of 1% across the entire economy—an absolutely enormous tax base, conservatively estimated at \$600 trillion. Math and science tell us that the wider the tax base, the lower the tax rate. An equal application of the tax code to everyone, individuals and corporations, rich and poor, without exemption, is the most efficient and equitable tax system possible. This powerful concept has the potential to level the playing field, provide US fiscal sanity, close the wealth gap, restore the American Dream, and equitably finance the futures of American families.

The data is clear and stubborn, and we would do well to consider the larger impacts as Congress debates this new legislation that could burden working people for decades to come.

Thomas J. Cryan is an attorney, media executive, entrepreneur, and author of several books, including [Disrupting Taxes](#), [Freddie Steinmark](#), [The Next Paradigm](#), and [3 Principles](#), as well as numerous articles on law, politics, broadcasting, and communications. Learn more at www.thomasjcryan.com.

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