



Trump's taxes should not bother us

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When the topic of taxes and the wealthy come into the public discourse, ignorance runs rampant. A fragment of Donald Trump's private 1995 tax returns, leaked by a staffer and illegally published by The New York Times (better known as Hillary Clinton's New York campaign headquarters) is Exhibit A.

The newspaper, and, indeed, leftists across the nation, began frothing at the mouth at the possibility that Trump had not paid taxes for 18 years. Of course, that 18-year figure is pure speculation based on the laws of 1995. There is absolutely no evidence whatsoever that he was able to avoid paying taxes for 18 years.

That being said, who cares if he legally avoided paying taxes? Taxation is theft. Everyone has an obligation to use every legal means at their disposal to avoid feeding the government leviathan.

Despite what holier-than-thou leftists want you to believe, taxation is not necessary to run a successful and free nation. Indeed, taxation gives government the tools necessary to restrict your liberties, not expand them. Before the federal income tax was enacted, we still built roads, we still educated our children, we still successfully fought wars, and we had a successful judicial system.

Additionally, Trump, as head of multiple corporations, actually has a fiduciary responsibility to pay as few taxes as legally possible. The less money corporations waste in taxes means the more money that is given to stockholders, including most of you reading this. Yes, your 401(k)s certainly benefit when companies maximize profits through proper tax management.

There is much to complain about in the U.S. tax code. However, the net operating loss clause is not one of them. Indeed, even most advocates of a flat tax would permit the use of net operating losses to offset future profits. This is because sometimes businesses lose money. And the business cycle does not always align nicely with tax periods.

The net operating loss provision takes this into account.

“With NOLs, companies basically get a version of “income averaging” so that they’re taxed on their long-run net income (i.e., total profits minus total losses),” wrote Dan Mitchell, an economist with the Cato Institute.

As Alan Viard, a tax specialist at the American Enterprise Institute, explained to Megan McArdle of Bloomberg, “If someone has a \$20 million gain in one year and a \$10 million loss in the second year, that person should be treated the same as someone who had \$5 million in each of the two years.”

This should be uncontroversial.

What is odd is that Trump actually seemed to be cognizant of how people would react to the news of his lack of paying taxes (odd because he is the most self-absorbed man in America, if not on the planet). One could assume this is the reason he has chosen to ignore decades of tradition in refusing to publicly release his tax returns. That and the possibility those returns would show he is not as wealthy as he claims and that his charitable giving is probably nonexistent.

What is funny, after the tax data were made public, Trump made the absolutely silly claim that it made him smart to have avoided taxes.

First, he did not avoid paying taxes. His accountants and lawyers arranged it so he could avoid paying the taxes. It is laughable when he claims he knows more about the tax code than any politician as though he sat up nights at the kitchen table with his shoebox of receipts and a calculator.

Second, and more important, it doesn’t make him smart. He LOST \$916 million (to be fair, it is unclear how much of that is a real loss and how much is a paper loss, though that is probably irrelevant). That is a budget deficit larger than many countries. Now, that means he might have saved about \$315 million in future and past taxes, but he still lost \$916 million. That doesn’t make one smart. That makes one a terrible businessman, a midshipman of industry. That he has a reputation of cheating people, not paying people he agreed to pay, only confirms that. Indeed, if we learned anything this election, it is that if you are doing a service for Trump, get paid up front.

But we already knew that. No one has accused Trump of being smart. Or being a great businessman. Or being a decent human being.

However, in the end, Trump did nothing wrong, at least as best as we can tell. Nothing morally wrong. Nothing legally wrong. Nothing economically wrong. Indeed, by claiming the NOL he was acting surprisingly responsible given the irresponsibility that led to his \$916 million loss.

While the unfair criticisms against Trump for using the NOL to avoid paying taxes has put me in the unenviable position of defending one of the most disgusting human beings on the planet, it simply is irrelevant and has nothing to do with his fitness for office.

That he is a big-government authoritarian with a child’s understanding of government and who is, in many ways, to the left of Clinton disqualifies him from holding office. But not the perfectly legal and responsible avoidance of paying taxes after posting a one-year loss of almost \$1 billion.

