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Middle class is paying for corporate tax breaks

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Back in 2011, Bill Gates and Warren Buffett held a panel discussion regarding corporate income taxes. Both billionaires agreed that corporate income tax was not too high, but instead was too low. They also discussed ways that corporations are able to avoid paying any income tax at all.

Buffett stated that the Bush tax laws were a huge benefit to the wealthy, but did little to help the middle class and the poor.

He also showed how the ordinary working taxpayer actually pays a higher rate of income tax simply because before taking home his or her pay, a working person pays a 12 percent payroll tax. Then that worker pays an additional percentage of income tax on that salary by the end of the year.

Neither Buffett nor Gates pay any payroll tax at all because their income is not salary, but money made from investments. They do pay income tax, but at a lower rate (15 percent) which is the tax rate on capital gains.

Corporate income tax in the United States is 35 percent. However, it is a rarity that any corporation pays that percentage. In fact, many corporations not only do not pay any taxes, they receive billions in tax breaks and subsidies from the U.S. government.

For example, the Cato Institute has noted that “cash payments to farmers and research funds to high-tech companies” amount to $100 billion a year in corporate welfare. This is not to mention fossil fuel subsidies, which range from $10 to $40 billion per year.

Even NASCAR benefits by writing off the costs of their facilities over shorter periods of time. (Just that subsidy costs the government $40 million per year.)

During 2009 and 2010, the top 25 hedge fund managers earned $25 billion per year. Since their income is not considered “salary” like the ordinary working person, the tax rate is 15 percent rather than 35 percent. Lost income tax and failure to pay payroll tax has been calculated as $10 billion per year for these managers.

The total amount for tax dodges and subsidies has been calculated as $1.1 trillion a year, more than the cost of Medicare and Medicaid combined, as well as the defense budget.

Lately, Walgreens and Burger King have attempted to avoid U.S. taxes by a complicated scheme called inversion. Basically, they invent a shell subsidiary outside the U.S. in a favorable tax nation like Ireland, and then transfer portions of the company to that subsidiary, which allows them to avoid U.S. taxes. No offices or employees are necessary for that to be legal, thanks to our congressional lackeys who support these tax gimmicks.

Walgreens backed out of the scheme after a loud outcry, but it is uncertain where Burger King stands.

According to Sen. Carl Levin, Apple has also created these offshore shells, holding tens of billions of dollars offshore while claiming to be a tax resident nowhere.

So before we support complaints by Republicans that corporate taxes are too high, let's look at some facts concerning the actual amount of taxes paid by U.S. corporations.

During a five-year period, Boeing, General Electric, Priceline.com and Verizon paid NO tax. In a list of 288 Fortune 500 companies, 111, paid zero or less tax in at least one year from 2008 to 2011. Furthermore, Wells Fargo, AT&T, IBM, General Electric and Verizon got $77 billion in tax breaks during that period.

According to Edward Kleinfield, professor of law and business at the University of Southern California, corporations are "stripping the United States of its tax base."

Further details of these types of corporate shenanigans can be found in the paper "Citizens for Tax Justice and the Institute on Taxation and Economic Policy," published in February 2014.

According to professor Paul Buchheit, college teacher and founder of social justice and educational websites, the average American family pays $6,000 a year in subsidies to big business.

Some of these figures are difficult to put your arms around when attempting to analyze the numbers that show how corporate welfare has mushroomed in the last 50 years. However, this statistic perhaps puts it into perspective: In 1952, corporate income tax paid into the U.S. Treasury accounted for 33 percent of all federal tax revenue. Today, in spite of the fact that corporations are making record profits, corporate income tax accounts for only 7 percent of all federal tax revenue.

Who is making up the 26 percent difference? The middle class, of course.