

How the Richest People in America Avoid Paying Taxes

A clever new paper puts concrete numbers to the taxes paid by members of the *Forbes* 400.

By Annie Lowrey

According to the Joint Committee on Taxation, the richest of rich Americans pay an average tax rate of 34 percent, higher than any other cohort's. In reality, as everyone has long known, they pay less than that. A new study by some of the country's most preeminent economists has finally put concrete numbers to the disparity. The average rate that the richest Americans pay, they find, sits at just 24 percent. That number has fallen markedly in recent years and will remain low for the foreseeable future, thanks to Donald Trump.

The new study is a technical feat, combining data on corporate earnings, private wealth, and individual tax payments. And it confirms that the country's tax code is regressive, not progressive, at the very top. Every year, America's richest citizens paper over their earnings with losses and use other creative accounting strategies to shelter their fortunes, as the tax code allows them to do. As a result, the country's billionaires pay lower tax rates than many of its millionaires do. Indeed, they pay lower tax rates than many middle-class professionals.

The study, by the UC Berkeley economists Akcan Balkir, Emmanuel Saez, Danny Yagan, and Gabriel Zucman, examines the wealth of Americans on the *Forbes* 400—not the 1 percent or even 0.01 percent, but the 0.0002 percent, a group including Larry Ellison, Elon Musk, Jeff Bezos, and Trump himself. As of this year, these individuals have a minimum net worth of \$3.3 billion.

Rogé Karma: Buy, borrow, die

To study these billionaires and their wealth-management strategies, Saez, Zucman, and their co-authors could not examine their personal tax returns. The IRS's strict data-privacy rules would prevent any academic from doing so. Instead, they received anonymized IRS data files, provided only to vetted researchers, on the richest 400 Americans by wealth, rather than earnings. The data were pooled so that the researchers couldn't connect specific numbers to any particular individual. The academics augmented the pooled statistics with information culled from the annual filings made by public companies, government data on gift and estate taxes, and IRS data on the earnings of private firms.

Many wealthy Americans do not have much in the way of salaries or realized earnings to tax in a given year. Mark Zuckerberg, for instance, whose net worth was estimated by *Forbes* last year to be \$181 billion, pays himself a \$1 base salary at Meta. Last year, he took home \$27 million in total

compensation—an immense sum, but not much given the company’s profits, and a fraction of what some of the company’s top artificial-intelligence engineers reportedly make.

Business titans tend to take their compensation as shares in publicly traded companies and privately held businesses, as well as investments in “pass-through” companies with special tax rules. As a result, their incomes are smaller than one might expect, and subject more to the country’s loopholed corporate-tax code than to its straightforward individual marginal tax rates. And, as a result, research on the tax rates paid by the country’s highest *earners*, as measured by personal income, does not shed much light on the tax rates paid by the country’s wealthiest *people*.

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In some ways, the new study is more comprehensive than an analysis of the billionaires’ 1040 forms would be, Saez and Zucman told me in an email, because it “includes not only individual income tax, but all the other taxes, and particularly corporate taxes” that they pay. The “biggest surprise,” Saez and Zucman said, was that the country’s billionaires—or, more precisely, their highly compensated accountants—had used deductions and exclusions, such as depreciation, to make their profitable pass-through businesses appear to be operating at a loss. Those paper losses reduced the billionaires’ taxable income by \$33 million a year, on average, between 2018 and 2020. The effect was so pronounced that companies’ taxable income was “no longer a good measure” of their “true profits,” the economists told me.

In the end, the top 400 Americans paid an estimated 23.8 percent of their income to Uncle Sam from 2018 to 2020—down from roughly 30 percent before the passage of the Tax Cuts and Jobs Act, in 2017. They paid 1.3 percent of their total wealth to the IRS in those years, down from 2.7 percent from 2010 to 2013. Their tax rates were lower than the *average* paid by all American households.

The Tax Cuts and Jobs Act, Trump’s signature first-term domestic-policy package, helped these billionaires keep more of their money. The One Big Beautiful Bill Act, passed this summer, extends the TCJA’s tax cuts, creates new business loopholes, and lowers taxes on estates. To help offset the revenue losses, the Trump administration is stripping health coverage from millions of low-income Americans and shrinking the Supplemental Nutrition Assistance Program. The rich, including Trump, will keep getting richer. The poor will pay for it.