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OPINION

George Soros's $18 Billion Tax Shelter

By Stephen Moore

Congress is still scrambling to find ways to pay for its tax cut, so perhaps it should pay closer attention to last month's news that George Soros had transferred $18 billion of his fortune to a private charity that he controls. There it will be sheltered from the Internal Revenue Service forever. This may be the single big- gest tax dodge in U.S. history, yet no one on the right or left seems to have raised an eyebrow.

True tax reform is predicated on the principle that all income should be taxed at a low rate once, and only once. But much of the wealth that Mr. Soros spent years moving into his

this deduction for five years. This double write-off may be the sweetest deal in the tax code.

The donors also can retain control of the money within the private foundation for years or even decades before it is disbursed. Since the foundation can employ family members at six-figure salaries for life to "administer" it, the umbilical cord to the donor never has to be cut.

Congress should stop ignoring this tax-avoidance scheme. The super rich have already poured hundreds of billions into private foundations, but the figure could soon be in the trillions. Mark Zuckerberg has pledged to give away 99% of his Face- book shares, currently estimated to be worth somewhere around $70 bil- lion, and much of it will go to a foun- dation his family controls. Bill Gates and Warren Buffett have each put roughly $30 billion tax-free into the Bill and Melinda Gates Foundation. This has left the foundation so flush that it spent $500 million on a 12- acre, 900,000-square-foot office com- plex in Seattle for its 1,500 employ- ees. This is philanthropy?

I don't question these billionaires' right to do with their money as they wish. I'm simply arguing that Con- gress shouldn't let the rich and politically powerful use private founda- tions to escape taxation. This loophole is one reason for an anom- aly in our otherwise progressive tax code: The top 1% of earners pay an

Congress to apply the capital gains tax to assets of more than $1 million before they are transferred to a charity. This could even finance cutting the capital-gains rate to 15% for everyone.

Alternatively (or perhaps in addition) Congress could cap deductions for any given household to $250,000 a year. Under this kind of plan, Mr. Soros would be able to write off only a tiny fraction of his multi-billion dollar gift.

This isn't an argument s against charity. But selfless

and effective giving is not motivated by tax breaks. Two

thirds of Americans don't lobbying operations for bigger gov- itemize their deductions, yet millions ernment and liberal causes like higher give until it hurts. In the 1980s, indi minimum wages, gun control, univer- vidual donations to charities surged, sal health care, and a carbon tax. Mr. even as the top tax rate--and thus Soros's $18 billion gift alone is the the maximum value of the write-off equivalent of maybe 100 Heritage fell from 70% to 28%. Foundations. This kind of weaponized The question is whether a tax code philanthropy has the potential to un- that encourages dynastic family foun dermine the American free enterprisedations is good for America. If Con system.

gress stopped letting billionaires Yes, billions go to groups on the pour money tax free into the founda right, too, from Mr. Koch and others. tion-industrial complex, it would go a But regardless of ideology, why long way toward lowering rates and shouldn't tax be collected before the making the tax code fairer for every money is given away? What message one. This would help the economy does it send that the Republican tax- grow faster, which is the best way to reform bills retain this trillion-dollar help those in need. loophole for the super rich, at the same time as the House plan elimi- *Mr. Moore is an economic consul* nates the adoption credit for mid *tant with FreedomWorks and a* dle-class families who want to help *founder of the Committee to Unleash* children?

Prosperity. He was a senior economic

One simple solution would be for *adviser to the Trump campaign.*

The wealthy have tucked billions into private nonprofits-where the IRS can't touch it.

effective tax rate of 23%, but the top 0.001% pay only 18%.

Mr. Buffett has sanctimoniously de- nounced the fact that he pays a lower effective tax rate than his secretary. His suggestion is that Congress raise taxes on capital gains. But even if the tax rates were lifted, say, to 50%, Mr. Buffett still wouldn't have to pay it on the tens of billions of dollars he puts into private foundations, and he would still be able to deduct a fifth of that contribution on future tax returns.

This tax favoritism might be de- fensible to promote genuine philan- thropic activities. Many billionaires, such as the Gateses and David Koch, have heroically donated to fight cancer and malaria or provide relief to hurricane and earthquake victims.

But others, including Mr. Soros and Michael Bloomberg, have turned private foundations into massive de facto

Open Society Foundations will *never* be taxed. A gift of billions of dollars of appreciated stock escapes any cap- ital gains tax, and the estate tax as well. So Mr. Soros can donate appre- ciated stock that Open Society Foun- dations can liquidate without the government ever taking a cut. There's more. When a person do- nates untaxed, appreciated assets to a private foundation, he may also de- duct up to 20% of its market value on his personal return, carrying forward