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Billionaire Enabler States: How U.S. States Captured by the Trust Industry Help the World's Wealthy Hide Their Fortunes

A new report from the Institute for Policy Studies shows how 13 U.S. states shield billionaires– and what we can do about it.

Washington, D.C. – On September 28, the Institute for Policy Studies will release a critical new report, "**Billionaire Enabler States: How U.S. States Captured by the Trust Industry Help the World's Wealthy Hide Their Fortunes**".

One year after the Oct 2, 2021 release of the Pandora Papers, which documented how the U.S. has become a major global tax haven, this IPS report highlights the role of a handful of U.S. states as key enablers in an international system of wealth hiding. The U.S. has become a tax haven and a destination for the wealth of oligarchs and money launderers.

*The report identifies **13 U.S. states** and exposes how they shield the fortunes of the world's richest people*:

- The Biggest Enablers are **South Dakota, Nevada, Alaska,** and **Delaware**, which the report calls "the shadow states in the darkest corners of the wealth management industry."
- The report names **Tennessee, Wyoming,** and **New Hampshire** as Bad Actors that actively aid and abet the wealth defense industry.
- The report identifies **Rhode Island, Ohio, Missouri, Illinois, Florida,** and **Texas** as Emerging Enablers that are becoming key tools for trusts to shield hidden wealth.

Key Findings:

- **The U.S. is host to an estimated $5.6 trillion in trust assets.** These assets belong to the uber-wealthy — both international and domestic — and are held in trust in states subservient to the trust industry. The concept of the "offshore" tax haven has very much washed ashore.

- **U.S. trust-subservient states enable illicit wealth hiding and tax avoidance.** As the International Consortium of Investigative Journalists' Pandora Papers investigation revealed, some U.S. states have aided international kleptocrats to avoid accountability at home and hide their ill-gotten wealth abroad. These states also enable wealthy

Americans to avoid federal taxation, cheating the U.S. out of revenue with which it could combat poverty or invest in infrastructure. Trusts, therefore, affect every U.S. citizen and resident.

- **Three key ingredients — low or no taxes, secrecy, and trust longevity — make certain U.S. states particularly attractive to wealth defenders.** These states pass laws to cut or abolish taxes or hide trust records from prying eyes. More than two thirds of states allow trusts to last for at least 150 years or forever. Additionally, more than a third of states allow trusts to be established by the person benefiting from the trust, shielding their assets from creditors and tax authorities.

- **There is a significant correlation between regressive state taxation systems, which hurt the poorest residents, and trust-subservient state laws.** Of the 13 states captured by the trust industry we have profiled here, eight are among the 15 most regressive tax states in the country. These states often cut taxes for the wealthiest residents and instead rely on the low and middle class, who pay a disproportionate amount of their income in taxes.

- **The trust industry says it simply helps its clients obey laws — but in reality it often writes the laws.** As our report shows, the trust industry is the driving force for trust deregulation. Trust and estate lawyers regularly lobby state legislatures and sometimes work in official capacities with states to write legislation favorable to the industry. In small states with part-time or "citizen" legislatures, there is no countervailing power that matches the clout of the financial services industry. And this trust deregulation is often bipartisan.

- **The trust industry offers little benefit to states.** Contrary to what trust and estate lawyers may claim about increased economic development and boosted state revenue, states largely do not benefit from trusts. Though billions may be held in trust in a state, state coffers — and the public — will never see it. States charge only small fees to trust companies; the trust industry creates very few jobs; and trust owners have no reason to physically move to or even visit the states where they have established trusts.

- **States are engaged in a rapid race to the bottom, so federal action is needed.** States may see a few jobs created by the trust industry and determine that is worth the detrimental effect of trusts on the rest of the country. It is in the federal government's interest, therefore, to curb state laws that enable illicit wealth hiding and tax avoidance.

"The wealth managers and tax attorneys serving the ultra-wealthy will claim they are just aiding their clients to obey the law. But our report reveals how they are actively writing the laws and lobbying for changes in certain U.S. states to shield hidden wealth from accountability," said **Chuck Collins, co-author of the report and director of the Program on Inequality and the Common Good at the Institute for Policy Studies.**

"13 U.S. states are in a race to the bottom to weaken trust oversight and manipulate the rules to attract billionaire tax dodgers and money launderers," explained **Kalena Thomhave, co-author of the report and researcher at the Program on Inequality and the Common Good at the Institute for Policy Studies.** "The wealth of nations is hidden in states like Wyoming, Delaware, Nevada, and South Dakota."

"The same states that morph their trust laws to help billionaires are often the same states that have the most regressive tax systems that overtax working people," Collins noted. "It's past time to curb wealth hiding in these states and enact policies to hold billionaires and their bureaucratic enablers accountable."

Among the recommendations, the report urges U.S. lawmakers to enact policies that would:

- Boost state and federal oversight of complex trust transactions
- Require trust registration and disclosure
- Outlaw trusts designed to obfuscate ownership
- Establish a federal rule against perpetuities
- Reform estate, gift, and generation-skipping taxes

Read the full report and a summary of key findings.

For more information and to speak with Chuck Collins and Kalena Thomhave, contact IPS's Media Manager Olivia Alperstein at (202) 704-9011 or olivia@ips-dc.org.

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About the Institute for Policy Studies

For nearly six decades, the Institute for Policy Studies has provided critical research support for major social movements and progressive leaders inside and outside government and on the ground around the United States and the world. As the United States' oldest progressive multi-issue think tank, IPS turns bold ideas into action through public scholarship and mentorship of the next generation of progressive scholars and activists.