



THE TRUMP TAX LOOPHOLE

How Billionaires Make You Pay Their Taxes

February 2026

California’s “Trump Tax Loophole” is a billionaire-friendly tax break that lets the wealthiest commercial property owners avoid paying taxes based on what their properties are actually worth.

It traces back to Proposition 13, which was promoted as a way to protect homeowners from being taxed out of their homes when values rise. **This law has been exploited to generate massive corporate tax giveaways, including an estimated \$200 million windfall at Trump’s 555 California Street building in San Francisco.**¹ By including commercial and industrial property, the law created a system that billionaire and corporate landowners exploit to lock in artificially low tax bills for decades—even while their buildings skyrocket in value and generate enormous profits.

Since 2012, this loophole has cost California an estimated \$243 billion, money that should have gone to schools, healthcare, and infrastructure instead of being shifted as costs onto residents.²

The Trump Tax Loophole functions by freezing the assessed value of commercial and industrial properties largely on their purchase-era assessment, with increases generally capped at about 2 percent per year regardless of market reality. In practice, this means a corporate landlord can raise rents and benefit from a booming economy while their tax obligation remains stuck in the past.

A key reason this system persists is that reassessment is triggered only when a “change in ownership” occurs, and **sophisticated investors and their lawyers can exploit a loophole within the loophole to avoid reassessment even when a property effectively changes hands.** As long as no single new entity acquires more than 50 percent, billion-dollar buildings can be traded through partnerships, subsidiaries, and shell structures while keeping the old, discounted tax assessment in place.³ Homeowners don’t get that option: when a family buys a home, it is reassessed to market value. **Billionaires can structure deals so their skyscrapers are “sold” without ever being taxed like it.**

¹ Vornado Realty Trust, Annual Reports (Form 10-K), 2007–2025 (New York: Vornado Realty Trust). This estimate utilizes a valuation based on 555 California’s gross Net Operating Income (NOI) from each year and appropriate cap-rates with a 7 percent discount rate; Also see, [Big real estate escapes \\$360 million in annual SF taxes](#).

² California State Board of Equalization, Memorandum: 4-R Act Equalization Ratio, Legislative, Research & Statistics Division (Sacramento, CA: State Board of Equalization, May 2012–2024). This figure represents the cumulative revenue loss from 2012–2024, calculated by comparing the market value of commercial assets against assessed values.

³ “Legal Entity Ownership Program (LEOP) – Definition of Change in Ownership,” California State Board of Equalization, accessed February 10, 2026, <https://boe.ca.gov/proptaxes/leopcio.htm>.



Donald Trump's stake in 555 California Street in San Francisco shows how this loophole becomes a wealth machine.

Taxes on the property rose modestly over time while the building's value and income surged, producing an estimated \$200 million tax windfall for Trump and his partners, money that otherwise could have funded public schools, community colleges, hospitals, and infrastructure.⁴

This is not a narrow issue limited to one high-profile property. Statewide, the Trump Tax Loophole has cost Californians an estimated \$243 billion in foregone revenue since 2012, and the gap between taxed value and real market value continues to widen.⁵ The benefits are concentrated at the top; **a report by USC found that closing the loophole would bring in billions and 78 percent of that revenue would be derived from just 6 percent of the largest landowners, particularly owners of properties worth more than \$5 million.**⁶ In other words, the people taking the greatest advantage are not small businesses, they are the largest corporate landlords and billionaires with the resources to engineer permanent tax shields.

The human impact is visible across California. Education systems lose stable local revenue. Counties and cities face ongoing pressure in healthcare and public safety budgets. Development is distorted because long-time corporate owners enjoy artificially low carrying costs, which can reward stagnation, discourage redevelopment, and disadvantage new businesses. Meanwhile, first-time buyers pay dramatically higher taxes for comparable property. **In places like Santa Clara County, homeowners now carry the bulk of the property burden** while commercial and industrial owners, including the campuses of trillion dollar tech companies, pay a much smaller share, illustrating how **the system increasingly makes residents pay what the wealthiest corporations avoid.**⁷

California remains a place where people come to build families, businesses, and futures, but that opportunity requires a basic civic bargain. The Trump Tax Loophole breaks that bargain by allowing billionaires to profit from California while shifting the cost of public services onto everyone else. Closing this loophole is a fairness issue. **The largest and wealthiest commercial property owners should pay property taxes** that reflect real market value, **so working Californians are no longer forced to cover the tab for billionaire tax avoidance.**

⁴ Vornado Realty Trust, Annual Reports, 2007–2025; Also see, [Big real estate escapes \\$360 million in annual SF taxes](#).

⁵ California Board of Equalization, 4-R Act Equalization Ratio.

⁶ Jennifer Ito, Justin Scoggins, and Manuel Pastor, "[Getting Real about Reform II](#): Estimating Revenue Gains from Changes to California's System of Assessing Commercial Real Estate," USC Equity Research Institute (ERI), February 2020.

⁷ Office of the Assessor, County of Santa Clara, [Santa Clara County Assessor's Annual Report 2025](#) (San Jose, CA: Office of the Assessor, August 2025).



555 California Street: Trump's Tax Break Playbook

Summary

- The Trump Tax Loophole has cost California \$243 billion in lost commercial and industrial property taxes since 2012.
- Trump and his partners have avoided paying an estimated ~\$200 million in local taxes since 2005.
 - Trump and his partners are currently paying about ~\$12 million less per year in local taxes than they would if assessed at current market value.
- Market insiders estimate 555 California Street is worth roughly \$1.7b-\$2.16b.
- 555 California Street has generated hundreds of millions for Trump and his partners
 - From just two refinancing payouts, Trump personally received an estimated \$162 million.
 - In a single year, the property generated about ~\$86 million in income for Trump and his partners.
- Trump used a tax loophole in 2005 to put off capital gains taxes, then signed the 2017 tax law that kept the same loophole in place.



TRUMP CASHES IN ON HUNDREDS OF MILLIONS WHILE DODGING TAXES IN HIS BILLION DOLLAR BUILDING

TRUMP AND PARTNERS' STAKE IN 555 CALIFORNIA HAS GENERATED HUNDREDS OF MILLIONS, WHILE AVOIDING \$200 MILLION IN PROPERTY TAXES SINCE 2005

Trump and Co. Saved Over \$200 Million Since 2007. “An investigation by 48hills calculated Vornado Realty Trust and Trump currently pay \$11.7 million less in annual local property taxes than they would if the building’s property tax was calculated based on its current market value.” [San Francisco Chronicle, [11/05/20](#)]

In 2024, Market Insiders Estimated 555 California Street At Roughly \$1.71B To \$2.16B. “Real estate stakeholders pegged the overall value of 555 California between \$950 and \$1,200 per square foot.” [San Francisco Chronicle, [03/23/24](#)]

“In 2016 Green Street Advisors, A Real Estate Research Firm, Estimate[d] The Value Of [555 California Street] At About \$1.7 Billion.” [The New York Times [12/06/16](#)]

In 2021, A Refinance Of 555 California Street Generated \$617 Million In Proceeds For The Trump–Vornado Ownership Group. “A venture that includes Donald Trump and Vornado Realty Trust has received a combined \$617 million in proceeds from the refinance of a San Francisco office tower...” the refinancing of 555 California St “comes in the form of sale bonds tied to the property,” with “the sale generating \$617 million in proceeds for the owners,” [Law360 Legal New, [04/30/21](#)]

As Part Of The Deal, Trump Received An Estimated \$162 Million In Cash. [Forbes, [07/29/22](#)]



VIA 555 CALIFORNIA STREET TRUMP ACCRUED HUNDREDS OF MILLIONS IN PROPERTY VALUE—AND MILLIONS IN INCOME

In 2019, 555 California Street Generated About \$85.7 Million In Income For Trump And His Partners. Vornado reported its 70% share brought in \$60 million, implying total income of about \$85.7 million and roughly \$26 million for Trump’s 30% stake. [Forbes, [09/28/20](#)]

In 2019, Trump Earned \$26 Million From His 30% Stake. [Forbes, [09/28/20](#)]

In 2015, According To Forbes Trump’s 30% Stake In 555 California Valued At \$285 Million. [Forbes, [10/07/15](#)]

In 2016 “555 California Street - In Which Trump Own[ed] A 30% Share, Valued At \$317 Million.” [Reuters, [09/28/2016](#)]

“In 2017 Trump Stake [Was] Worth \$322.6 Million.” [The Real Deal, [02/16/17](#)]

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THE TRUMP TAX LOOPHOLE HAS COST CALIFORNIA HUNDREDS OF BILLIONS OF DOLLARS IN LOST PROPERTY TAX REVENUE

Since 2012, The “Trump Property Tax Loophole” Has Cost The People of California An Estimated \$243 Billion. [State Board of Equalization, [2012–2024](#)]⁸

⁸ **Methodology:** to quantify the statewide fiscal impact of commercial property under-assessment, this analysis utilizes the California State Board of Equalization (BOE) Annual “4-R Act” data. By comparing the mandated fair market value of commercial assets against the restricted assessed values recorded under Proposition 13, a state-wide “Assessment Gap” was identified. For the purposes of this study, an effective tax rate of 1.2 percent was applied to this gap—accounting for the 1.0 percent base rate and an estimated 0.2 percent for voter-approved local bonds. The cumulative revenue loss of \$243 billion represents the difference between actual tax receipts and the revenue that would have been generated had commercial assets been assessed at market value between 2012 and 2024.

IN 2005 TRUMP USED A CAPITAL GAINS TAX LOOPHOLE TO KICK THE BILL DOWN THE ROAD – THEN SIGNED A LAW THAT KEPT THE LOOPHOLE

AS PRESIDENT, TRUMP SIGNED A 2017 BILL THAT KEPT THAT SAME LOOPHOLE OPEN FOR REAL ESTATE FIRMS LIKE HIS WHILE CLOSING IT FOR NEARLY EVERY OTHER TYPE OF BUSINESS.

Trump Used A 1031 Exchange In 2005 To Defer Capital Gains Taxes On A Huge Profit.

“The Trump Organization acquired the two towers in 2005 through a like-kind tax exchange - known as a 1031 exchange. That allowed it to defer a massive tax bill on the sale of a large development site...” [Indian Real Estate News, [07/03/20](#)]

The 1031 Structure Meant He Didn’t Pay Capital Gains Taxes At The Time.

“Trump’s purchase of the towers 15 years ago contains a ticking tax time bomb that could go off if... the company [can’t] roll the proceeds from the sale into a new property...” The article says that if the company “sold the buildings and didn’t make another 1031 deal, it would have to pay the capital gains taxes on that sale and would be responsible for paying taxes on the 2005 deal...” [Indian Real Estate News, [07/03/20](#)]

The Tax Break Survived The 2017 Tax Law Trump Signed. “When the Republican Congress rolled out its tax-reform plan in 2017, it proposed eliminating 1031 exchanges altogether...” but “the final law that Trump signed, however, preserved the lucrative tax break.” [Indian Real Estate News, [07/03/20](#)]



HOW WE GOT HERE: TRUMP'S DEBT-FUELED NYC PROPERTY GAMBLE COLLAPSED, FORCING A BAILOUT AND LOSS OF CONTROL; HIS INVESTMENT GROUP USED THE PROCEEDS TO PURCHASE 555 CALIFORNIA STREET

TRUMP'S RIVERSIDE SOUTH PURCHASE WAS FINANCED ENTIRELY WITH BORROWED MONEY, RAN INTO SETBACKS, FELL INTO DISTRESS, AND ENDED WITH A 1994 BAILOUT THAT LIMITED HIS CONTROL, SETTING UP A LATER DISPUTE OVER A 2005 SALE.

Trump Bought Riverside South With Borrowed Money And Faced Major Setbacks. “It all started in 1985 when the real estate tycoon bought the former Penn Central site in Manhattan, New York, now known as Riverside South, for around \$115million, all of it borrowed.” He “planned a huge development called Television City” but “was forced to reduce its scope due to community opposition.” [Express, [12/09/19](#)]

The Project Fell Into Financial Distress And Trump Defaulted On Large Loans. “By the early Nineties he had defaulted on \$310million in loans on the project and \$2.5billion in personally-guaranteed borrowings.” [Express, [12/09/19](#)]

Trump Was Rescued In 1994 By Selling 70% To Hong Kong Investors And Putting In About \$4 Million Cash. “In 1994, he managed to save himself financially by selling 70% of Riverside South to a group of Hong Kong investors.” “They purchased the \$310million mortgage on the property for \$88million, with Mr Trump contributing around \$4million in cash.” [Express, [12/09/19](#)]

Trump Gave Up Control Rights, Which Later Let Partners Sell Even If He Objected. “Because he needed the bailout, the future President agreed to a limited partnership interest that blocked him from participating in major decisions on the future course of the project, including a sale.” [Express, [12/09/19](#)]

Trump Sued His Partners Over A 2005 Sale He Said Was Too Cheap. “So when, in 2005, they wanted to sell and he did not, they went along with it anyway.” “In the \$500 million lawsuit, the future President accused Henry Cheng Kar-shun and Vincent Lo Hong-Sui of a ‘staggering breach’ of fiduciary duty in the \$1.76 billion sale of the building to Extell and Carlyle.” He claimed they “had not entertained counter-offers as high as \$3 billion, although such an offer never materialised.” [Express, [12/09/19](#)]



TRUMP'S 30% STAKE AT 555 CALIFORNIA

AFTER THE RIVERSIDE SOUTH SALE, THE INVESTORS USED PROCEEDS TO BUY 555 CALIFORNIA STREET AND 1290 AVENUE OF THE AMERICAS - SHIFTING TRUMP INTO A 30% STAKE; IN 2007, VORNADO BOUGHT A 70% CONTROLLING INTEREST WHILE TRUMP REMAINED A 30% PARTNER

The Partners Used Sale Proceeds To Buy 1290 Avenue Of The Americas And 555 California Street, Shifting Trump Into A 30% Stake In Those Buildings. “What complicated matters was that the investors used the proceeds to buy two office blocks: 1290 Avenue of the America in New York City and 555 California Street in San Francisco.” “This then transferred Mr Trump’s partnership stake into a 30% share of these buildings instead.” [Express, [12/09/19](#)]

Trump And Co. Purchased 555 California Street for \$1.05B. “A New York-based real-estate company agreed to buy the Bank of America Center... for \$1.05 billion,” and the complex will be acquired by “Hudson Waterfront Associates, a closely held company that is one of Donald Trump’s partners in the Riverside South project in Manhattan”; “along with the main, 1.4 million-square-foot tower at 555 California St.,” the sale “includes a 16-story, ... building at 315 Montgomery St[...and] 345 Montgomery St.” [SF Gate, [09/27/2005](#)]

In 2007, The Majority Investors Sold 70% of Their Stake to Vornado Realty Trust. “Vornado Realty Trust (NYSE:VNO) today announced that it has entered into an agreement to acquire a 70% controlling interest in ... 555 California Street office complex containing.” [SEC, [03/16/07](#)]

The Hong Kong Investors Sold Their Stakes To Vornado While Litigation Continued, And Trump Tried To Sue Vornado Too. “Just a year after buying them - and while the litigation was still ongoing - the Hong Kong investors sold their stakes in those buildings to Vornado Realty Trust, so Mr Trump then attempted to sue Vornado too.” [Express, [12/09/19](#)]



“Vornado’s 70% Interest On The Real Estate [Was] Approximately \$1.8B” [Vorando Realty Trust, [03/16/07](#)]

Vornado Purchased The 70% Interest Using A Combination Of Cash And Assumed Debt. “The purchase price is \$1 billion in cash and the assumption of \$797 million of debt. Vornado’s share of the debt consists of \$308 million secured by 1290 Avenue of the Americas and \$489 million secured by 555 California Street.” [Vorando Realty Trust, [03/16/07](#)]

The San Francisco Chronicle: “Vornado’s Initial Allocation Of Its Purchase Price Put A Total Value Of Roughly \$1 Billion On The San Francisco Tower.” [San Francisco Chronicle, [06/24/15](#)]

As Part Of The Deal, Vornado Agreed To Indemnify The Sellers, Covering Certain Potential Liabilities And Expenses, Including Legal Costs, Arising From Trump’s Lawsuits. “The REIT will also take on \$797 million of existing debt and has agreed to indemnify the sellers for certain of their liabilities and expenses arising out of Trump’s lawsuits.” [Vorando Realty Trust, [03/16/07](#)]

Vornado Tried To Buy Trump Out, But He Stayed Locked In As A 30% Partner. “At first, Vornado’s chairman Steve Roth tried to buy Mr Trump’s 30% stake, but he refused.” Roth wrote he offered “a ‘substantial sum, which we think is a full and fair price, but he does not yet think so.’” The article adds Trump “is barred by the partnership agreement from selling to an outside investor until 2044,” so he “stayed as Vornado’s partner keeping his 30% equity.” [Express, [12/09/19](#)]



LOAN SERVICER WATCHLIST

REPORTING SAID OWNERS REFINANCED 555 CALIFORNIA IN 2021, GENERATING PROCEEDS AND CASH-OUT; IN 2023, THE BUILDING WAS REPORTEDLY PLACED ON A LOAN-SERVICER WATCHLIST

555 California Street Was Placed On A Loan-Servicer Watchlist Even Though The Owners Were Current On The Mortgage. “In San Francisco, 555 California St., formerly known as Bank of America Center, was placed on a loan servicer watchlist although its owners are current on the \$1.2 billion mortgage debt secured by the property.”[San Francisco Business Times, [02/22/23](#)]

