

Billionaires with \$1 salaries – and other legal tax dodges the ultrawealthy use to keep their riches

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Who pays the most taxes?

Javier Zayas Photography/Moment via Getty Images

Ray Madoff, a Boston College law professor, has written a new book: “The Second Estate: How the Tax Code Made an American Aristocracy.” She recently spoke to Kara Miller, host of the podcast “It Turns Out,” about how the American tax system has changed over the past 40 years, widening inequality. Below is a condensed and edited version of the interview.

Miller: Mark Zuckerberg was the lowest-paid employee at Meta in 2024, and he made US\$1. But he is not the only very rich person who has collected \$1 for a year’s work. Why would incredibly rich CEOs make only \$1 a year when they could pay themselves millions?

Madoff: The reason is taxes. Income from work is the most heavily taxed type of income, as it is subject to both income and payroll taxes. A self-employed person who makes a modest income of \$60,000 will pay over \$13,000 of it in payroll and income taxes. Meanwhile, high-income earners who earn a \$400,000 salary can pay about 30% of their income in payroll and income taxes.

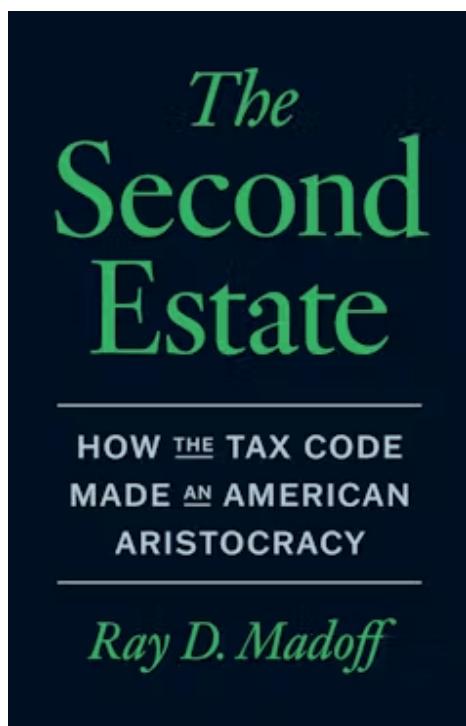
So the first step in avoiding taxes is avoiding salary, and that is what our richest Americans often do.

Elon Musk received a salary of \$0 from Tesla in 2024. Jeff Bezos earns \$81,840 a year of income, low enough to get the child tax credit, which he took in 2021. One of our higher-paid billionaires is Warren Buffett, and he only gets \$100,000 a year in salary and bonus combined.

All of these people are keeping their taxes down by keeping their salaries down. They are not avoiding compensation altogether, however, as they are well paid through the growing value of their stock. In 2024, Bezos' wealth increased by \$80 billion, Zuckerberg's by \$113 billion, Musk's by \$213 billion. Even better, they can enjoy this growing wealth entirely free of income tax and reporting.

You make the case that part of the reason that these individuals have been able to accumulate wealth so quickly is because of the tax system. How has the tax system enabled their wealth to continue to grow so quickly?

Historically, the tax system has operated as a bulwark against concentrations of wealth. And in this way, it has served to legitimate our capitalist system by showing how it can work to extract large amounts of money from our wealthiest citizens for the common good.



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However, over the past 40 years or so there have been a number of changes that have allowed the wealthy to avoid taxes altogether on their investments and inheritances. One area where this has particularly been the case is when it comes to investment in stocks. Prior to 1982, companies could only directly share profits with shareholders by issuing dividends. These dividends were taxed at the highest rate. In 1982, however, a subtle change to the SEC rules allowed companies to purchase their own stock on the open market. This may sound innocuous, but it led to a massive transformation.

Now, instead of issuing dividends, companies can purchase shares, which boosts the value of the stock. So any shareholders who do not need to sell can make a profit from their stock going up in value and do not need to pay taxes on this profit.

At some point, one might expect that the ultrawealthy would have to sell their shares to finance their lifestyle. Do they? In selling those shares, wouldn't they have to pay a capital gains tax?

For most of us, when we own property or stock that has increased in value, it doesn't mean anything to us unless we sell it. But those with great wealth can access that wealth without paying taxes by simply borrowing against their assets. And that is what our richest Americans do.

Billionaires like Larry Ellison and Elon Musk borrow huge sums of money to support their lifestyle, pledging their stock as collateral. This borrowing is entirely tax-free and comes at good rates. In addition, in recent years the growth in stock value more than compensates for any interest that might accrue. To pay the interest and pay back the loans, they simply borrow again.

Does this mean the people with the most money are not contributing to the common expenses of the government? What about through the estate tax?

One would think that the estate tax would do a good job here. After all, it is a 40% tax on all transfers by gift or at death in excess of approximately \$15 million. However, this tax no longer accomplishes what it once did.

During the George W. Bush presidency, 18 wealthy families launched a campaign to repeal the federal estate tax. It labeled the estate tax the "death tax," calling it an unfair double-taxation that harms family farms and businesses. Chester Thigpen, who owned a Christmas tree farm, was the face of this movement. He argued that the estate tax took away his right to pass his Christmas tree farm to his children.

This narrative was completely false. The estate tax has many provisions to protect family farms and businesses. And Thigpen was misled; he was never subject to the estate tax, as his estate was much smaller than the exclusion amount.

But much of the public began to believe that the estate tax – or the “death tax” – was unfair.

Though there is nominally an estate tax today, Congress has not enacted a single provision to close loopholes in 35 years. As a result, loopholes abound that allow the wealthy to shelter their money from taxation. These mechanisms are so effective that even though the wealthiest 1% of Americans own \$50 trillion, the entire amount collected by the estate tax in 2024 was about \$30 billion, an amount that Musk has gained and lost in a day.

Now, the estate tax serves as a cover for the richest Americans, who are served better by preserving a tax that makes it look like they pay taxes.

If the richest Americans do not pay taxes, who does the brunt of the burden fall to?

In terms of our yearly income tax, the brunt of the burden falls on high-income earners, people earning hundreds of thousands of dollars a year. These people can be paying up to 50% of what they make in payroll and income taxes. Confused, they think their interests align with the ultrawealthy more than regular workers. In fact, people who earn a lot through their job – from doctors to executives – are carrying the largest burden, alongside lower-wage workers.

Popular statistics make it seem as though the richest Americans are paying the majority of taxes. One such statistic is that the top 1% pay 40% of the income taxes, while 40% of Americans pay no income tax at all. The top 1% here refers to income earners.

Remember, the very richest Americans do not acquire their wealth through taxable income and are just as likely to be a part of the 40% of the lowest earners who pay no income tax.

In reality, 30% of U.S. wealth is now controlled by the richest 1% of Americans, and our current rules provide no assurances that they will ever pay taxes on their growing wealth.

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The mighty \$100 bill.

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