THE SEVEN WORST FEATURES OF PAUL RYAN'S TAX PLAN

1. **Gives huge tax breaks to the rich and corporations, loses $3.1 trillion over 10 years,[1] and if paid for will require deep cuts to domestic services.** Nearly half (47%) of the tax cuts will go to the top 0.1% of households. Their average annual tax cut will be about $1.3 million. 99% of the tax breaks go to the top 1% of households when fully phased in; they will get an average tax cut of nearly $213,000 a year. The bottom 20% will get a tax cut of just $50.[2] Ryan's plan will increase the deficit by $3.6 trillion,[3] unless massive cuts are made to benefits and services that working Americans depend on.

2. **Slashes corporate tax rates by more than 40%—from 35% to 20%—losing $1.8 trillion over 10 years.**[4] To make up for some of that lost revenue, Ryan's plan effectively imposes a 20% sales tax on all imported goods. These costs are expected to be passed along to consumers as much higher prices.[5] Corporations are already dodging their fair share of taxes at a time of record profits. Only $1 out of $9 of federal revenue now comes from corporate taxes; it was $1 out of $3 just 65 years ago.[6]

3. **Gives multinational corporations with profits stashed offshore a tax cut of about $600 billion.** Big American corporations hold $2.6 trillion in earnings offshore on which they owe about $750 billion in U.S. taxes.[7] Ryan would cut the tax rate on those offshore profits from 35% to just 8.75% on cash and only 3.5% on other assets, raising less than $140 billion.[8] This would give tax-dodging multinational corporations an undeserved tax break of about $600 billion.

4. **Reduces the top tax rate on the wealthy from about 40% to 33%.** Ryan's overall plan to consolidate and lower tax brackets would cost $1.5 trillion over 10 years, mostly benefitting the rich.[9] Wealthy households should be paying *more* in taxes, not less, since they capture a disproportionate amount of the nation's income. Between 2009-2015, the top 1% of households received over half of all real income growth, more than the other 99% of Americans combined.[10]

5. **Slashes in half the effective tax rate on capital income, which is mostly received by the wealthy, losing nearly $500 billion**.[11] By allowing taxpayers to exclude from their calculations one-half of their earnings from capital gains, dividends and interest, Ryan effectively drops the top rate on such passive income to 16.5%. This reduces the tax rate by almost one-third on capital gains and dividends (from 23.8%), and by one-half on interest.[12] These are sources of income highly concentrated among the wealthy: a third of all dividends go to the top 0.1% of households, and over half to the top 1%. Capital gains are even more dominated by the rich: half go to the top 0.1%, over three-quarters to the top 1%.[13]

6. **Slashes the top tax rate on hedge funds and other "pass-through" businesses from nearly 40% to 25%, losing $413 billion.**[14] Many Wall Street firms, law practices and other big-money outfits organize as partnerships or other business entities, allowing them to pay business taxes at individual rates. Ryan cuts the top tax rate on these "pass-through entity" owners from about 40% to 25%.[15]

7. **Eliminates estate and gift taxes to boost the inheritances of millionaires and billionaires, losing $187 billion.**[16] The federal estate tax only affects estates worth more than $5.5 million, or just one in 500 estates.[17] It is a small curb on the accumulation of dynastic wealth and a key tool in reducing economic inequality.

[1] Tax Policy Center (TPC), "An Analysis of the House GOP Tax Plan" (Sept.16, 2016), p. 1. http://www.taxpolicycenter.org/sites/default/files/alfresco/publication-pdfs/2000923-An-Analysis-of-the-House-GOP-Tax-Plan.pdf

[2] TPC, p. 12.

[3] TPC, p. 10. See "Estimates after macro feedback from TPC Keynesian model."

[4] TPC, p. 9.

[5] Politico, "Retailers fear massive tax increases under House Republican tax plan" (Nov. 23, 2016). http://www.politico.com/story/2016/11/retailers-fear-massive-tax-increases-under-house-republicans-tax-plan-231817

[6] Office of Management and Budget (OMB), Historical Tables, "Table 2.2: Percentage Composition of Receipts by Source." https://www.whitehouse.gov/omb/budget/Historicals

[7] Institute on Taxation and Economic Policy, "Fortune 500 Companies Hold a Record $2.6 Trillion Offshore" (March 28, 2017). https://itep.org/fortune-500-companies-hold-a-record-26-trillion-offshore/

[8] TPC, p. 9. See "Deemed repatriation of pre-2017 profits …"

[9] *Ibid.*

[10] Washington Center for Equitable Growth, "U.S. Top One Percent of Income Earners Hit New High in 2015 Amid Strong Economic Growth" (July 1, 2016). http://equitablegrowth.org/research-analysis/u-s-top-one-percent-of-income-earners-hit-new-high-in-2015-amid-strong-economic-growth/

[11] TPC, p. 9.

[12] TPC, p. 4.

[13] TPC, "T16-0195 - Distribution of Long-Term Capital Gains and Qualified Dividends by Expanded Cash Income Percentile, 2016" (Sept. 7, 2016). http://www.taxpolicycenter.org/model-estimates/distribution-individual-income-tax-long-term-capital-gains-and-qualified-16

[14] TPC, p. 9. See "Top rate of 25 percent on active business income."

[15] TPC, p. 5.

[16] TPC, p. 9.

[17] Center on Budget and Policy Priorities, "Ten Facts You Should Know About the Federal Estate Tax" (Sept. 8, 2016). http://www.cbpp.org/research/ten-facts-you-should-know-aboutthe-federal-estate-tax