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UPDATED ANALYSIS: TRUMP'S UNPAID-FOR TAX CUTS MAY TOTAL \$5 TRILLION IN NEW TAX PLAN

Failure to pay for tax cuts by closing tax loopholes may put Social Security, Medicare, Medicaid and Education on the Chopping Block

WASHINGTON, D.C.—An analysis by Americans for Tax Fairness of the [tax framework](#) released today by President Trump and Republican leaders in Congress shows that **Trump's tax cuts could total a massive \$6.7 to \$8.3 trillion, \$3 to \$5 trillion of which may not be paid for by closing other tax loopholes and/or by limiting tax deductions.** The resulting jump in the deficit threatens funding of Social Security, Medicare, Medicaid, public education and other vital services. The framework is very similar to key features of the tax plans previously released by President Trump and House Speaker Ryan, which is the basis for ATF's analysis.

The table below summarizes the proposed tax cuts in the Trump-Republican leaders' tax plan, along with estimates of their considerable costs. The new tax plan is likely to:

- **Provide massive tax cuts that largely benefit the richest Americans and biggest corporations**—through direct tax cuts and indirectly through big cuts in corporate taxes, [80% of which benefit wealthier Americans](#), according to the non-partisan Tax Policy Center.
- **Provide a modest middle-class tax cut**, largely by doubling the standard deduction, although much of that could be taken away if the tax plan [repeals the personal exemption](#) and the head of household filing status.
- **Not come close to being paid for by closing tax loopholes**, which will likely result in deep cuts now or next year to Social Security, Medicare, Medicaid, public education and many other priorities working families depend on. These cuts were outlined in President Trump's FY2018 budget, which proposed [\\$4.3 trillion in cuts](#) to Social Security, Medicaid, public education and other non-defense programs; and in the House budget, which proposed [\\$5.8 trillion in cuts](#) to Medicare, Medicaid public education and other non-defense programs and that is awaiting floor action.

"The idea that this plan would help average Americans instead of the wealthy and big corporations has been a hoax all along," said Frank Clemente, executive director, Americans for Tax Fairness. "This isn't 'tax reform,' it's just a big giveaway to millionaires and corporations, and it won't 'trickle down' to the rest of us. It won't help small businesses, but it will help Wall Street hedge fund managers and real estate moguls like Donald Trump. This plan will not lead to robust job creation or economic growth, but its eye-popping cost will lead to deep cuts in Social Security, Medicaid, Medicare, and public education that will leave working families in the cold."

ESTIMATES OF COSTS OF THE TRUMP & CONGRESSIONAL LEADERS' TAX PLAN

Cost estimates are mostly from the non-partisan Tax Policy Center, and are ten-year estimates except where noted.

| COST OF CORPORATE TAX CUTS | |
|---|---|
| \$1.8 Trillion ¹ | Cut the corporate tax rate from 35% down to 20%, or by more than 40%, and repeal the alternative minimum tax (AMT). |
| \$390 - \$660 Billion ² | Cut the top tax rate on business income from nearly 40% down to 25%, or by more than a third, on hedge funds, corporate law practices, real estate investment firms like President Trump's and other wealthy "pass-through" businesses. |
| \$900 Billion - \$2.2 Trillion ³ | Allow businesses to immediately deduct, or "expense," the full cost of capital investments in vehicles, equipment, structures, etc. (Media reports indicate this tax break might be scheduled to expire after five years. But most of the revenue loss occurs in the early years, and once the break exists it may be hard to eliminate.) |
| \$205 Billion ⁴ | Establish a territorial tax system that would exempt American corporations from paying any U.S. income taxes on foreign profits. |
| \$3.4 to \$4.9 TRILLION | TOTAL CORPORATE TAX CUTS |
| COST OF INDIVIDUAL TAX CUTS | |
| \$2 Trillion ⁵ | Lower the top tax rate on individuals from 39.6% to 35% and reduce six other tax brackets to just two—12% and 25%. ⁶ |
| \$445 Billion ⁷ | Repeal the AMT which prevents wealthy taxpayers like Trump from using excessive deductions and other loopholes to sharply reduce or eliminate their taxes. |
| \$708 Billion ⁸ | Double the standard deduction to \$12,000 for an individual and \$24,000 for a married couple. |
| \$239 Billion ⁹ | Repeal estate and gift taxes, which would boost dramatically the inheritances of millionaires and billionaires, since the tax only applies to estates worth at least \$5.5 million . ¹⁰ Trump's heirs could gain billions of dollars. |
| \$3.4 TRILLION | TOTAL INDIVIDUAL TAX CUTS |
| \$6.7 to \$8.3 TRILLION | GRAND TOTAL |
| TAX INCREASES TO PAY FOR TAX CUTS | |
| \$1.5 Trillion ¹¹ | Repeal itemized deductions, other than charitable giving and mortgage interest, including the state and local tax deduction (SALT). |
| \$1.3 - \$1.9 Trillion ¹² | Repeal the personal exemption and the head of household filing status; possibly expand nonrefundable credit by \$500 per dependent. This could take away much of the benefit to middle-income people of doubling the standard deduction. ¹³ |
| \$271 Billion ¹⁴ | Repeal certain business tax expenditures. |
| \$150 Billion ¹⁵ | Deemed repatriation tax of up to 10% on accumulated foreign profits. |
| \$3.2 - \$3.8 TRILLION | TOTAL |
| \$2.9 - \$5.1 TRILLION | NET 10-YEAR COSTS NOT PAID FOR |

Endnotes

¹ Tax Policy Center (TPC), “Dynamic Analysis of the House GOP Tax Plan: An Update” (June 30, 2017), Table 5, p. 12.

<http://www.taxpolicycenter.org/sites/default/files/publication/142556/2001397-dynamic-scoring-of-tax-plans-and-analysis-of-the-house-gop-plan.pdf>

² TPC, “Options to Reduce the Taxation of Pass-through Income” (May 15, 2017), p. 6.

<http://www.taxpolicycenter.org/sites/default/files/publication/141541/options-to-reduce-the-taxation-of-pass-through-income.pdf>

³ The Tax Foundation, “Full Expensing Costs Less than You’d Think” (June 13, 2017). <https://taxfoundation.org/full-expensing-costs-less-than-you-d-think/> These cost estimates are based on current tax rates. If corporate tax rates are reduced, the cost of this tax break would decline.

⁴ TPC, “An Analysis of Marco Rubio’s Tax Plan” (Feb. 11, 2016), p. 10.

<http://www.taxpolicycenter.org/sites/default/files/alfresco/publication-pdfs/2000606-an-analysis-of-marco-rubios-tax-plan.pdf>

⁵ TPC, “The Implications of What We Know and Don’t Know About President Trump’s Tax Plan” (July 12, 2017), Table 2.

http://www.taxpolicycenter.org/sites/default/files/publication/142616/implications_of_what_we_know_and_dont_know_about_president_trumps_plan_1.pdf.

⁶ A Tax Policy Center analysis of an earlier version of Trump’s tax plan with rates of 12%, 25% and 33% showed a revenue loss of \$1.5 trillion (Table 2), so the cost of these rate cuts may fall between \$1.5 and \$2 trillion.

<http://www.taxpolicycenter.org/sites/default/files/alfresco/publication-pdfs/2000924-an-analysis-of-donald-trumps-revised-tax-plan.pdf>

⁷ *Ibid.*

⁸ *Ibid.*

⁹ *Ibid.*

¹⁰ Center on Budget and Policy Priorities, “Ten Facts You Should Know About the Federal Estate Tax” (May 5, 2017).

<https://www.cbpp.org/research/federal-tax/ten-facts-you-should-know-about-the-federal-estate-tax>

¹¹ TPC, “The Implications of ... Trump’s Tax Plan,” Table 2.

¹² \$1.3 trillion figure is from TPC, “Dynamic Analysis of the House GOP Tax Plan,” Table 5; \$1.9 trillion figure is from TPC, “The Implications of ... Trump’s Tax Plan,” Table 2.

¹³ Center for American Progress, “How Middle-Class and Working Families Could Lose Under the Trump Tax Plan” (June 13, 2017). <https://www.americanprogress.org/issues/economy/reports/2017/06/13/434054/middle-class-working-families-lose-trump-tax-plan/>

¹⁴ TPC, “The Implications of ... Trump’s Tax Plan,” Table 2.

¹⁵ *Ibid.*