



WORST FEATURES OF THE TRUMP—RYAN TAX PLAN

This analysis is based on the [tax plan framework](#) released by Republican leaders Sept. 27, 2017. The plan is very similar to earlier ones by President Trump and House Speaker Ryan, which were analyzed by the non-partisan Tax Policy Center and form the basis of this analysis.¹

- 1. The Trump-Ryan tax plan is not tax “reform,” but massive tax cuts for the wealthy and corporations that will jeopardize Social Security, Medicare, Medicaid and public education.** Based on earlier Trump and Ryan plans cost estimates, the plan could [cut taxes by a total of \\$6.7 to \\$8.3 trillion](#), of which \$3 to \$5 trillion may not be paid for by closing tax loopholes and limiting deductions.² The resulting jump in the deficit would increase the likelihood of deep cuts to Social Security, healthcare, education and other services. Such cuts are in Trump’s 2018 budget, which [slashes \\$4.3 trillion](#) from Social Security, Medicaid, education and other services. Ryan’s House budget [slashes \\$5.8 trillion](#) from Medicare, Medicaid education and other services.³
- 2. The wealthy and corporations will get most of the tax cuts at the expense of working families who rely on Social Security, Medicare, Medicaid, and public education.** Under Trump’s previous tax plan, [the richest 1% would get half of the tax cuts](#), or \$175,000 each year, on average.⁴ His plan required one-quarter of middle-class families to [pay more in taxes](#).⁵ Under Ryan’s earlier plan, the [richest 1% would get more than 99% of the tax cuts](#) once fully enacted, with a \$240,000 tax cut each year, on average.⁶

CORPORATE TAX CUTS

- 3. Corporate tax rates are slashed by more than 40%—from 35% to 20%—[losing \\$1.8 trillion over 10 years](#).**⁷ Corporations need to pay their fair share not get a tax cut. Corporate profits are at near record highs, while corporate tax revenues are at [record lows](#).⁸ Profitable corporations are [paying a U.S. tax rate of just 14%](#), according to the non-partisan Government Accountability Office.⁹ Many [pay nothing for years](#).¹⁰ Only [\\$1 out of \\$9 of federal revenue](#) now comes from corporate taxes; in the mid-20th century it was \$1 out of \$3.¹¹ Moreover, [80% of corporate tax cuts](#) benefit wealthier Americans.¹²
- 4. Trump-Ryan slashes the top tax rate on business income from hedge funds, law firms, real estate firms like Trump’s, and other “pass-through” businesses from 39.6% to 25%, losing \$390 to \$660 billion.**¹³ Many of these big-money outfits organize as partnerships or other business entities that allow them to pay business taxes at individual rates. **Claims that this is a small business tax cut is a hoax:** Just [4% of pass-through business owners](#) will get a tax cut from the new top 25% rate, as everyone else already pays that rate or less. The top one-tenth of 1% will get a tax cut of \$270,000, on average.¹⁴ As the sole or principal owner of [500 pass-through entities](#),¹⁵ Trump will [benefit handsomely](#),¹⁶ from what’s been aptly dubbed the [“Trump Loophole.”](#)¹⁷

5. **Trump-Ryan temporarily (for at least five years) allows corporations to immediately write off big purchases, which could [lose \\$900 billion to \\$2.2 trillion](#).**¹⁸ Businesses would be allowed to immediately write off—or fully “expense”—the total cost of big-ticket purchases such as vehicles, equipment, and buildings. Currently, they may deduct (or depreciate) only a portion of the expense each year over a multi-year period to reflect the progressive decline in the property’s value. The wide cost range comes from uncertainty as to the tax cut’s economic effect. Though this is a 10-year estimate, the bulk of the [revenue loss occurs in the first five years](#).¹⁹ The Tax Policy Center has questioned claims about the supposed economic boost from full expensing, suggesting [expensing could retard growth](#).²⁰
6. **Trump-Ryan potentially allows American corporations to dodge all U.S. taxes on foreign profits through a territorial tax system.** Under such a system, U.S. corporations would no longer pay taxes on profits booked offshore (although Trump’s plan suggests there may be a minimum tax on profits in tax havens). A territorial system will encourage multinationals to [shift even more profits and jobs offshore](#) than they do now.²¹ Analysis of a similar plan found a territorial tax system would [lose \\$205 billion over 10 years](#).²²
7. **Multinational corporations with profits stashed offshore could get a \$600 billion tax cut.** Big American corporations hold \$2.6 trillion in profits offshore on which they [owe about \\$750 billion in U.S. taxes](#).²³ The new plan promises a big tax break on these profits, but it does not indicate the tax rate. Trump previously proposed cutting the rate from 35% to just 10% on cash and only 4% on non-cash assets, [raising about \\$150 billion](#).²⁴ So, tax-dodging multinationals could get an undeserved tax break of about \$600 billion. They should instead pay what they owe, just like working families and small businesses do.

INDIVIDUAL TAX CHANGES

8. **The top tax rate on individuals would be lowered from 39.6% to 35%, and six other tax brackets would shrink to just two, [losing \\$2 trillion](#).**²⁵ The new brackets are 12%—an increase on lower income Americans from the current 10% rate—25%, and 35%. The reduction in the top rate will help give a [\\$270,000 average tax cut to the Top 1%](#), which was estimated under Trump’s earlier tax plan.²⁶ The top 0.1% would get a \$1.4 million tax cut, on average.
9. **The alternative minimum tax (AMT) would be repealed allowing wealthy taxpayers like Trump to use excessive deductions and other loopholes to sharply reduce or eliminate their tax bill, [losing \\$445 billion](#).**²⁷ Trump could benefit massively: In 2005, the one year for which his tax returns have been made public, he made \$153 million and [paid \\$38 million in federal income taxes](#) for a tax rate of 25%.²⁸ Without the AMT, he would have paid just \$5 million in federal income taxes, a tax rate of [less than 4%](#).²⁹ That rate is less than the [lowest-income Americans](#) often pay.³⁰

- 10. Trump-Ryan eliminates estate and gift taxes, [losing \\$239 billion](#) and boosting the inheritances of millionaires and billionaires.**³¹ The federal estate tax is paid only by [estates worth at least \\$5.5 million](#), just 1 in 500 estates,³² or only [5,500 estates](#) in all of 2017.³³ Assuming Trump is worth the \$10 billion he claims, [his heirs could gain billions if his plan is adopted](#).³⁴
- 11. Trump-Ryan repeals the deduction for state and local taxes (SALT), raising taxes on the middle class and undermining local public services.** Taxpayers can deduct state and local property taxes, and either income or sales taxes, from their federal taxable income. Over a third of taxpayers making \$50-75,000 use the SALT deduction, and [over half of those making \\$75-100,000](#).³⁵ An average family in this last group would see their [federal taxes jump by \\$1,800](#) if SALT is repealed.³⁶ Repealing SALT would [increase federal revenue by \\$1.3 trillion](#) over 10 years.³⁷ In addition to boosting taxes on the middle class, repeal of the SALT deduction will make local taxation more expensive, putting pressure on localities to cut budgets for services like roads and schools.
- 12. Trump-Ryan pulls a bait-and-switch with tax provisions working families rely on, increasing the standard deduction while eliminating the personal exemption, ultimately leaving many families worse off.** Taxpayers who don't itemize their deductions (which under this plan may be limited to charitable contributions and mortgage interest) this year can deduct from their reportable income [\\$6,350 for an individual](#) and \$12,700 for a married couple.³⁸ The plan would roughly double those amounts to \$12,000 and \$24,000, [losing \\$708 billion](#).³⁹ At the same time, the plan [repeals the personal exemption](#), which reduces reportable income by \$4,050 this year for each member of a household. Even with the increased standard deduction, without the personal exemption many large families, and especially those headed by a single parent, [would pay more](#).⁴⁰ A Tax Policy Center analysis found that Trump's earlier tax plan would [increase taxes for about 8.7 million families](#)—20% of households and more than half of all single-parents.⁴¹ That analysis assumed a much higher standard deduction, which means even more families will experience a tax increase under the Trump-Ryan plan.

Endnotes

¹ Tax Policy Center (TPC), "The Implications of What We Know and Don't Know About President Trump's Tax Plan" (July 12, 2017). http://www.taxpolicycenter.org/sites/default/files/publication/142616/implications_of_what_we_know_and_don_t_know_about_president_trumps_plan_1.pdf. TPC, "Dynamic Analysis of the House GOP Tax Plan: An Update" (June 30, 2017). <http://www.taxpolicycenter.org/sites/default/files/publication/142556/2001397-dynamic-scoring-of-tax-plans-and-analysis-of-the-house-gop-plan.pdf>

² Americans for Tax Fairness, "Updated Analysis: Trump's Unpaid-For Tax Cuts May Total \$5 Trillion in New Tax Plan" (Sept. 27, 2017). <https://americansfortaxfairness.org/new-analysis-trumps-unpaid-tax-cuts-may-total-5-trillion-new-tax-plan/>

-
- ³ Center on Budget & Policy Priorities (CBPP), “Trump Budget Gets Three-Fifths of Its Cuts from Programs for Low- and Moderate-Income People” (May 30, 2017). <https://www.cbpp.org/research/federal-budget/trump-budget-gets-three-fifths-of-its-cuts-from-programs-for-low-and-moderate-income-people> fn1. CBPP, “House GOP Budget Cuts Programs Aiding Low- and Moderate-Income People by \$2.9 Trillion Over Decade” (Sept. 5, 2017). <https://www.cbpp.org/research/federal-budget/house-gop-budget-cuts-programs-aiding-low-and-moderate-income-people-by-29>
- ⁴ TPC, “The Implications of...Trump’s Tax Plan,” Table 4 and p. 9.
- ⁵ *Ibid.* Table 4 showing that 23.8% of tax units in the middle quintile would experience increased taxes.
- ⁶ TPC “An Analysis of the House GOP Tax Plan” (Sept. 16, 2016), Table 5. <http://www.taxpolicycenter.org/sites/default/files/alfresco/publication-pdfs/2000923-An-Analysis-of-the-House-GOP-Tax-Plan.pdf>
- ⁷ TPC, “Dynamic Analysis of the House GOP Tax Plan,” Table 5. Amount includes repealing the corporate Alternative Minimum Tax (AMT).
- ⁸ Estimates are measured as a share of the economy/GDP. Americans for Tax Fairness and Economic Policy Institute, “Corporate Tax Chartbook: How Corporations Rig the Rules to Dodge the Taxes They Owe” (Sept. 2016), Figure 2. <http://www.epi.org/publication/corporate-tax-chartbook-how-corporations-rig-the-rules-to-dodge-the-taxes-they-owe/>
- ⁹ Government Accountability Office, “Corporate Income Tax” (March 2016). <https://www.gao.gov/products/gao-16-363>
- ¹⁰ Institute on Taxation and Economic Policy (ITEP), “The 35 Percent Corporate Tax Myth” (March 2017), p. 4. <https://itep.org/wp-content/uploads/35percentfullreport.pdf>
- ¹¹ Office of Management and Budget (OMB), Historical Tables, “Table 2.2: Percentage Composition of Receipts by Source.” <https://www.whitehouse.gov/omb/budget/Historicals>
- ¹² TPC, “Would Workers Benefit from A Corporate Tax Cut? Not Much” (Sept. 8, 2017). <http://www.taxpolicycenter.org/taxvox/would-workers-benefit-corporate-tax-cut-not-much>
- ¹³ 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>
- ¹⁴ TPC, “Options to Reduce the Taxation of Pass-through Income,” p. 8.
- ¹⁵ Letter to Donald Trump from tax attorneys Morgan, Lewis & Bockius (Mar. 7, 2016). http://assets.donaldjtrump.com/Tax_Doc.pdf
- ¹⁶ *The Washington Post*, “Donald Trump’s New Tax Plan Could Have a Big Winner: Donald Trump’s Companies” (Aug. 10, 2016). <https://www.washingtonpost.com/news/wonk/wp/2016/08/10/donald-trumps-new-tax-plan-could-have-a-big-winner-donald-trumps-companies/>
- ¹⁷ CNN, “Hillary Clinton Slams ‘Trump Loophole’” (Aug. 11, 2016). <http://money.cnn.com/2016/08/11/pf/taxes/hillary-clinton-donald-trump-loophole/>
- ¹⁸ 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.
- ¹⁹ *Ibid.*
- ²⁰ TPC, “A Business Cash Flow Tax Could Reduce Investment, Contrary to What Some Economists Think” (Jan. 24, 2017). <http://www.taxpolicycenter.org/taxvox/business-cash-flow-tax-could-reduce-investment-contrary-what-some-economists-think>
- ²¹ ITEP, “Turning Loopholes into Black Holes: Trump’s Territorial Tax Proposal Would Increase Corporate Tax Avoidance” (Sept. 6, 2016). <https://itep.org/turning-loopholes-into-black-holes-trumps-territorial-tax-proposal-would-increase-corporate-tax-avoidance/>
- ²² 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>
- ²³ ITEP, “Fortune 500 Companies Hold a Record \$2.6 Trillion Offshore” (March 2017), p. 1. <http://www.itep.org/pdf/pre0327.pdf>
- ²⁴ TPC, “The Implications of...Trump’s Tax Plan,” Table 2. See “Deemed repatriation rate on accumulated offshore earnings.”
- ²⁵ *Ibid.* See “Individual income tax rates of 10, 25, and 35%.”
- ²⁶ *Ibid.*, Table 3.
- ²⁷ TPC, “The Implications of...Trump’s Tax Plan,” Table 2.

-
- ²⁸ *The New York Times* (NYT), “Trump Wrote Off \$100 Million in Losses in 2005, Leaked Form Shows” (March 14, 2017). <http://nyti.ms/2pmUkEH>
- ²⁹ NYT, “A.M.T., Which Hit Trump in 2005, Is No One’s Favorite” (March 15, 2017). <https://www.nytimes.com/2017/03/15/business/economy/trump-alternative-minimum-tax.html>
- ³⁰ TPC, “Historical Average Federal Tax Rates for All Households.” <http://www.taxpolicycenter.org/statistics/historical-average-federal-tax-rates-all-households>
- ³¹ TPC, “The Implications of...Trump’s Tax Plan,” Table 2. See “Repeal the estate, gift and GST taxes.”
- ³² CBPP, “Ten Facts You Should Know About the Federal Estate Tax” (Sept. 8, 2016). <http://www.cbpp.org/research/ten-facts-you-should-know-about-the-federal-estate-tax>
- ³³ TPC, “Briefing Book: Who pays the estate tax?” <http://www.taxpolicycenter.org/briefing-book/who-pays-estate-tax>
- ³⁴ *The Detroit News*, “Clinton: Trump Plan to Ax Estate Tax Saves His Family \$4B” (Aug. 11, 2016). <http://www.detroitnews.com/story/news/politics/2016/08/10/clinton-warren-economy/88546136/>
- ³⁵ Government Finance Officers Association, “The Impact of Eliminating the State and Local Tax Deduction” (Using 2015 IRS data), p. 6. https://www.gfoa.org/sites/default/files/GFOA_SALT_09202017.pdf
- ³⁶ *Ibid.*, p. 8.
- ³⁷ TPC, “Revisiting The State and Local Tax Deduction” (Mar. 31, 2016), p. 2. <http://www.taxpolicycenter.org/sites/default/files/alfresco/publication-pdfs/2000693-Revisiting-the-State-and-Local-Tax-Deduction.pdf>
- ³⁸ IRS.gov, “In 2017, Some Tax Benefits Increase Slightly Due to Inflation Adjustments, Others Are Unchanged.” <https://www.irs.gov/newsroom/in-2017-some-tax-benefits-increase-slightly-due-to-inflation-adjustments-others-are-unchanged>
- ³⁹ TPC, “The Implications of...Trump’s Tax Plan,” Table 2. See “Double standard deduction.”
- ⁴⁰ 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/>
- ⁴¹ TPC, “Families Facing Tax Increases Under Trump’s Tax Plan” (Oct. 28, 2016). <http://www.taxpolicycenter.org/sites/default/files/publication/135696/2000983-Families-Facing-Tax-Increases-Under-Trumps-Plan.pdf>