



TRUMP'S FALSE CLAIMS ABOUT TAXES: *His Rhetoric Contradicts His Actual Proposals – and Reality*

Today, August 30, 2017, President Trump will promote his plans to change the nation's tax code at a closed-to-the-public event in Springfield, Missouri. The speech will take place at a business owned by one of his [campaign donors](#). While we don't know quite what the president will say, we can predict a few claims based on his past statements. And we're expecting some whoppers.

REACTION FROM ATF: "Make no mistake, what Trump and Republican leaders in Congress are proposing is not tax reform. They simply want massive tax cuts for millionaires, billionaires, and big corporations, at the expense of everyone else. And those tax giveaways will be paid for by cuts to Social Security, healthcare, education and other programs that maintain living standards for working families. It's Trumpcare all over again, and it must be blocked." – *Frank Clemente, executive director, Americans for Tax Fairness*

See below for some of the claims we expect Trump to make, and for the reality based on the Trump tax plan released in April 2017.¹

CLAIM: Trump says he will enact "[historic tax reform](#)."²

REALITY: TRUMP'S "TAX REFORM" IS NOT REFORM, IT'S SIMPLY A MASSIVE TAX GIVEAWAY TO THE RICH AND CORPORATIONS. True tax reform would close loopholes and make the system fairer for everyone. Trump's plan is a [\\$5 trillion](#) tax giveaway that mostly benefits the wealthy and big corporations.³ As proposed in Trump's budget, these tax cuts would essentially be paid for by [\\$4.3 trillion in cuts](#) to Social Security, Medicare, Medicaid, education, and other services that help working families get by and get ahead.⁴

CLAIM: Trump claims his tax cuts will mainly help the middle class. "The truth is the [people I care most about are the middle-income people](#) in this country who have gotten screwed... And if there's upward revision [in taxes], it's going to be on high-income people."⁵

REALITY: THE TOP 1% WILL BE THE BIG WINNERS UNDER TRUMP'S TAX PLAN. It gives half of the tax cuts to the richest 1%, who would each get an annual [tax cut of \\$175,000](#) on average.⁶

CLAIM: Trump has claimed that his tax plan will give the “biggest benefit” to the “working and middle class taxpayer”—that “it won’t even be close.”⁷

REALITY: WORKING FAMILIES WILL BE THE BIG LOSERS UNDER TRUMP’S TAX PLAN. In fact, a quarter of middle-class families would actually pay higher taxes under his plan.⁸ Even worse, Trump would pay for his tax cuts for the wealthy and corporations by cutting public services working families rely on, such as Social Security, Medicaid, education, infrastructure, nutrition programs and other vital services.⁹

CLAIM: Trump claims “small businesses will benefit the most” from his plan to cut the top tax on so-called pass-through businesses to 15%.¹⁰

REALITY: TRUMP’S “SMALL BUSINESS” TAX CUTS ARE REALLY A HOAX, AND A BOON FOR THE RICH. Most small businesses already pay taxes at a 15% rate or lower, so less than 7% of business owners would get any tax cut.¹¹ More than three-quarters of the tax cuts would go to the richest 1% of business owners, who would get an average tax cut of \$75,000 each year.¹² These are not Main Street shopkeepers, but hedge fund managers, Wall Street lawyers and real estate developers like Trump, who would lower his own tax rate from roughly 40% to 15%.

CLAIM: Trump claims corporate and individual tax rates need to be reduced because “we have the highest taxes in the world.”¹³

REALITY: AMERICANS ARE NOT OVERTAXED COMPARED TO OTHER COUNTRIES. As a percentage of the overall economy, Americans pay less in taxes than 30 of 35 other similarly developed countries.¹⁴ And although the official corporate tax rate is 35%, most corporations pay much less because of loopholes. In fact, the Government Accountability Office found that profitable U.S. corporations paid an effective tax rate of only 14% from 2008 to 2012.¹⁵

CLAIM: Trump claims his plan to deeply cut the tax rate on accumulated offshore corporate profits will “bring that cash home” to be “reinvested” in the American economy.¹⁶

REALITY: CUTTING TAXES ON OFFSHORE CORPORATE PROFITS WON’T SPUR THE U.S. ECONOMY. Trump’s proposal to tax those offshore earnings at just 10%, instead of the 35% they currently owe, amounts to a \$600 billion tax cut for tax-dodging corporations¹⁷--a huge loss of revenue that could be used for economy-boosting public investments. When Congress provided a similar tax giveaway in 2004, corporations that brought home their profits cut tens of thousands of jobs¹⁸ and gave 90 cents of every dollar¹⁹ in earnings brought home to rich shareholders through stock buybacks and dividends.

CLAIM: Trump claims that big corporations need to pay just a 10% tax rate on their offshore profits because those earnings will otherwise remain [“trapped” offshore](#), frozen out of the American economy.²⁰

REALITY: CORPORATE OFFSHORE PROFITS AREN'T REALLY “TRAPPED” OFFSHORE. In fact, [many corporations bring their profits home now](#) and simply pay the tax due.²¹ What's more, a U.S. Senate study found that much of the money is [not actually offshore anyway](#); it's already invested in the American economy, and corporations can use it for a variety of purposes.²²

CLAIM: Trump's Treasury Secretary's claims that the Administration's multi-trillion-dollar tax giveaway will somehow [“pay for itself.”](#)²³

REALITY: TAX CUTS DON'T PAY FOR THEMSELVES. [No serious economist believes that's possible.](#)²⁴ Instead, the best estimates are that Trump's proposed tax cuts would [reduce federal revenue by between \\$3.5-4.8 trillion](#) over the next 10 years, requiring either deep cuts to public services or a big increase in public debt.²⁵

CLAIM: Trump claims that his proposed deep tax cuts for wealthy professionals and corporations will result in an [“explosion of new business and new jobs.”](#)²⁶

REALITY: TAX CUTS FOR THE WEALTHY & CORPORATIONS WON'T CREATE MANY JOBS. But recent experience and academic research both show that tax cuts for the wealthy and corporations are a [poor way to stimulate the economy and create jobs.](#)²⁷ And Trump's proposed deep budget cuts to infrastructure, healthcare, medical research and education won't help create jobs, either.

CLAIM: Trump has claimed that he wants to abolish the estate tax because [“American workers...should not be taxed...at death,”](#) implying that the estate tax affects average workers.²⁸

REALITY: ABOLISHING THE ESTATE TAX ONLY HELPS THE WEALTHY LIKE TRUMP. [Only the richest one of every 500 estates](#) currently pays the estate tax—the estate must be worth \$5.5 million or more to be affected.²⁹ The only effect abolishing the estate tax will have on American workers is to [deprive them of over \\$20 billion in annual revenue](#), which pays for public services used by those who haven't inherited a fortune.³⁰

CLAIM: Trump recently [tweeted](#) “Corporations have NEVER made as much money as they are making now.”³¹

REALITY: WELL, ON THIS ONE HE'S RIGHT! CORPORATIONS ARE ALREADY EXTREMELY PROFITABLE. But what Trump failed to add is that even as [corporate profits are near record highs](#), corporate tax payments flirt with historic lows. Sixty-five years ago, both corporate profits and corporate taxes equaled about 6% of the economy. Now, corporate profits represent 8.5% of the economy, corporate taxes only 1.9%.³² Big corporations don't need a tax cut—what they need is to start paying their fair share of taxes again.

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- ¹ The White House, “2017 Tax Reform for Economic Growth and American Jobs.” <http://taxprof.typepad.com/files/trump-tax-plan.pdf>
- ² The Hill, “Trump team preparing 'historic' tax reform” (Feb. 28, 2017). <http://thehill.com/policy/finance/321715-trump-says-his-team-is-preparing-historic-tax-reform>
- ³ Institute on Taxation and Economic Policy (ITEP), “Trump’s \$4.8 Trillion Tax Proposals Would Not Benefit All States or Taxpayers Equally” (July 20, 2017). <https://itep.org/wp-content/uploads/trumpprelimtaxplanfullreport.pdf>
- ⁴ Center on Budget and Policy Priorities (CBPP), “Trump Budget Gets Three-Fifths of Its Cuts From Programs for Low- and Moderate-Income People” (May 30, 2017), p. 1. http://www.cbpp.org/research/federal-budget/trump-budget-gets-three-fifths-of-its-cuts-from-programs-for-low-and-moderate-income-people#_ftn1
- ⁵ CNN Money, “Trump now says he wants to tax the rich” (July 26, 2017). <http://money.cnn.com/2017/07/26/news/economy/trump-tax-the-rich/index.html>
- ⁶ Tax Policy Center (TPC), “The Implications of What We Know and Don’t Know about President Trump’s Tax Plan” (July 12, 2017), Table 4. http://www.taxpolicycenter.org/sites/default/files/publication/142616/implications_of_what_we_know_and_dont_know_about_president_trumps_plan_1.pdf
- ⁷ Time, “Read Donald Trump's Speech on Jobs and the Economy” (Sept. 15, 2016). <http://time.com/4495507/donald-trump-economy-speech-transcript/>
- ⁸ TPC, Table 4 shows a tax increase of 23.9% and 23.8%, respectively, for the second and middle quintiles.
- ⁹ CBPP, p. 1.
- ¹⁰ Time, “Read Donald Trump's Economic Speech in Detroit” (Aug. 8, 2016). <http://time.com/4443382/donald-trump-economic-speech-detroit-transcript/>
- ¹¹ 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>
- ¹² *Ibid.*
- ¹³ CNBC, “Trump says America has 'the highest taxes in the world'—here's how the US actually compares” (July 26, 2017). <https://www.cnbc.com/2017/07/26/trump-claims-america-has-the-highest-taxes-in-the-world.html>
- ¹⁴ ITEP, “The U.S. Is One of the Least Taxed Developed Countries” (April 2017). <https://itep.org/wp-content/uploads/oecd2017.pdf>
- ¹⁵ Government Accountability Office, “Most Large Profitable U.S. Corporations Paid Tax but Effective Tax Rates Differed Significantly from the Statutory Rate” (April 13, 2016). <https://www.gao.gov/products/GAO-16-363>
- ¹⁶ Time, “Donald Trump’s Speech in Detroit.”
- ¹⁷ Americans for Tax Fairness, “The Worst Features of Donald Trump’s New Tax Plan” (April 26, 2017). <https://americansfortaxfairness.org/worst-features-donald-trumps-new-tax-plan/>
- ¹⁸ Congressional Research Service, “Tax Cuts on Repatriation Earnings as Economic Stimulus: An Economic Analysis” (Dec. 20, 2011), p. 7. <https://fas.org/sgp/crs/misc/R40178.pdf>
- ¹⁹ National Bureau of Economic Research, “Watch What I Do, Not What I Say: The Unintended Consequences of the Homeland Investment Act” (June 2009), p. 19. <http://www.nber.org/papers/w15023.pdf>
- ²⁰ *The New York Times*, “Trump Tax Plan May Free Up Corporate Dollars, but Then What?” (Aug. 29, 2017). <https://www.nytimes.com/2017/08/29/business/economy/trump-corporate-tax-plan.html?mcubz=0>
- ²¹ *The Wall Street Journal*, “U.S. Companies Bring More Foreign Profit Home” (Mar. 23, 2015). <https://www.wsj.com/articles/u-s-companies-bring-more-foreign-profit-home-1427154070>
- ²² U.S. Senate Permanent Subcommittee on Investigations, “OFFSHORE FUNDS LOCATED ONSHORE MAJORITY STAFF REPORT ADDENDUM,” (Dec. 14, 2011), p. 1. <https://www.americanprogress.org/wp-content/uploads/2014/01/TrappedRevenues-brief1.pdf><http://www.hsgac.senate.gov/download/report-addendum-psi-majority-staff-report-offshore-funds-located-onshore>
- ²³ *The Washington Post*, “Trump’s Treasury Secretary: The Tax Cut ‘Will Pay for Itself’” (Apr. 20, 2017). https://www.washingtonpost.com/news/wonk/wp/2017/04/20/trumps-treasury-secretary-the-tax-cut-will-pay-for-itself/?utm_term=.ae42eacfac99
- ²⁴ Vox, “37 Top Economists All Say Trump's Tax Plan Won't Pay for Itself” (May 5, 2017). <https://www.vox.com/policy-and-politics/2017/5/4/15536394/american-economists-trump-tax-plan>

²⁵ The \$3.5 trillion figure is from the TPC, “President Trump’s Tax Plan,” Table 2. The \$4.8 trillion figure is from ITEP, “Trump’s \$4.8 Trillion Tax Proposals.”

²⁶ Time, “Donald Trump’s Speech on Jobs.”

²⁷ CBPP, “Large Job Growth Unlikely to Follow Tax Cuts for the Rich and Corporations” (June 9, 2017).
<https://www.cbpp.org/sites/default/files/atoms/files/5-2-17tax.pdf>

²⁸ Time, “Donald Trump’s Speech in Detroit.”

²⁹ CBPP, “Ten Facts You Should Know About the Federal Estate Tax” (May 5, 2017).

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

³⁰ TPC, “President Trump’s Tax Plan,” Table 2.

³¹ @realDonaldTrump Twitter account (Aug. 1, 2017).

<https://twitter.com/realDonaldTrump/status/892370324616089600>

³² Americans for Tax Fairness and Economic Policy Institute, “Corporate Tax Chartbook: How Corporations Rig the Rules to Dodge the Taxes They Owe” (Sept. 19, 2016), Figure 2. https://americansfortaxfairness.org/wp-content/uploads/Corporate-tax-chartbook_-How-corporations-rig-the-rules-to-dodge-the-taxes-they-owe_-_Economic-Policy-Institute.pdf