



THE WORST FEATURES OF DONALD TRUMP'S NEW TAX PLAN

This analysis is based primarily on the [one-page Trump Administration handout](#) of April 26, 2017, and details from Trump's tax plan released during the campaign and analyzed by the non-partisan Tax Policy Center.

- 1. Slashes corporate tax rates by nearly 60%—from 35% to 15%—losing at least \$2.4 trillion over 10 years.**¹ That's the five-year federal cost ([\\$2.3 trillion](#)) of Medicaid, which serves nearly [69 million](#) seniors, people with disabilities and families in need.² Trump's plan to replace the Affordable Care Act would cut Medicaid by \$834 billion, costing 14 million their health care.³
- 2. Slashes the top tax rate on hedge funds, real estate firms like President Trump's, and other "pass-through" businesses from nearly 40% to 15%, losing up to \$1.5 trillion.**⁴ Many Wall Street firms, law practices and other big-money ventures organize as partnerships or other business entities that allow them to pay their business taxes at individual rates. Trump would cut the tax rate on the owners of these so-called "pass-through entities" by as much as two-thirds, to just 15%. These low tax rates are expected to entice half of high-paid wage earners to change themselves into pass-through entities providing labor services to their current employers, rather than being paid a salary.⁵ **Trump is the sole or principal owner of [500 pass-through entities](#).**⁶ **He would [personally benefit](#)⁷ from this massive tax giveaway that's been appropriately dubbed the "[Trump Loophole](#)."**⁸ Seeing his tax returns is critical to understanding how much he would personally benefit.
- 3. Allows wealthy taxpayers like Trump to use excessive deductions and other loopholes to shrink or even eliminate their tax bills.** He would eliminate the Alternative Minimum Tax (AMT), which ensures rich taxpayers begin to pay their fair share. Trump could benefit massively: In 2005, he made \$153 million and [paid \\$38 million in federal income taxes](#) for a rate of 25%.⁹ Without the AMT, he would have paid just \$5 million in federal income taxes, a tax rate under 4%. That rate is less than the [lowest-income Americans](#) often pay.¹⁰ **Eliminating the AMT would lose \$413 billion over 10 years.**¹¹
- 4. Gives multinational corporations with profits stashed offshore a huge tax cut.** Big American corporations hold \$2.6 trillion in profits offshore on which they [owe about \\$760 billion in U.S. taxes](#).¹² Trump's new plan promises a big tax break on these profits, but it does not indicate the tax rate. During the campaign, Trump proposed cutting the rate from 35% to just 10% on cash and only 4% on non-cash assets, raising about \$150 billion.¹³ **If these rock-bottom rates are in Trump's new plan, tax-dodging multinationals would get an undeserved tax break of about \$600 billion.**
- 5. 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. There is no rationale for such a system with Trump's proposed 15% U.S. corporate tax rate, which would be lower than most of our competitors, unless Trump wants corporations to pay tax-haven tax rates, which means paying little or nothing. Creating a territorial system will encourage multinationals to shift even more profits and jobs offshore than they do now. **Analysis of a similar plan issued last year found a territorial tax system would [lose \\$205 billion over 10 years](#).**¹⁴
- 6. Gives Wall Street investors a huge tax break that endangers health care for millions of Americans.** Trump would eliminate the Net Investment Income Tax (NIIT), which helps pay for working families'

1101 17th Street NW • Suite 301 • Washington, D.C. 20036 • 202-506-3264

www.AmericansForTaxFairness.org • @4TaxFairness • www.Facebook.com/Americans4TaxFairness

health care under the Affordable Care Act (ACA). This 3.8% tax exclusively targets unearned income: interest, dividends, capital gains, rent and other examples of money making money. It is particularly important for combating income inequality because such passive income is [highly concentrated among the wealthy](#).¹⁵ Much investment income is otherwise taxed at a much lower rate than wages and salaries. **Abolishing the NIIT would lose \$158 billion over 10 years.**¹⁶

7. **Eliminates estate and gift taxes [losing \\$174 billion](#),**¹⁷ **in order to boost the inheritances of millionaires and billionaires. This could give Trump's heirs tax breaks worth billions of dollars.** The federal estate tax is only paid by [estates worth at least \\$5.5 million](#), just 1 in 500 estates.¹⁸ The estate tax is a small curb on the accumulation of dynastic wealth and a key tool in reducing economic inequality. **Assuming Trump is worth the \$10 billion he claims, [his heirs could gain billions if his plan is adopted](#).**¹⁹

¹ Tax Policy Center (TPC), "An Analysis of Donald Trump's Revised Tax Plan" (Oct. 18, 2016), p. 7.

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

² Congressional Budget Office (CBO), "The Budget and Economic Outlook: 2017 to 2027 (Jan. 2017).

<https://www.cbo.gov/sites/default/files/recurringdata/51118-2017-01-budgetprojections.xlsx>

³ CBO, "Cost Estimate: H.R. 1628, The American Health Care Act" (May 24, 2017), p.13.

<https://www.cbo.gov/system/files/115th-congress-2017-2018/costestimate/hr1628aspassed.pdf>

⁴ TPC, p. 7. Estimate is based on a flat rate of 15% on pass-through income (\$895 billion) and the shifting of wages and salaries to business income (\$649 billion), less the repeal of certain pass-through business tax expenditures (\$58 billion).

⁵ TPC, pp. 4-5. Treasury Secretary Mnuchin claims that there will be rules enacted to prevent converting wages into business income, but did not provide any details.

⁶ Letter to Donald Trump from tax attorneys Morgan, Lewis & Bockius (Mar. 7, 2016).

http://assets.donaldjtrump.com/Tax_Doc.pdf

⁷ *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/>

⁸ CNN, "Hillary Clinton Slams 'Trump Loophole'" (Aug. 11, 2016). <http://money.cnn.com/2016/08/11/pf/taxes/hillary-clinton-donald-trump-loophole/>

⁹ *The New York Times*, "Trump Wrote Off \$100 Million in Losses in 2005, Leaked Form Shows" (March 14, 2017).

<http://nyti.ms/2pmUkEH>

¹⁰ TPC, "Historical Average Federal Tax Rates for All Households." <http://www.taxpolicycenter.org/statistics/historical-average-federal-tax-rates-all-households>

¹¹ TPC, "An Analysis of Donald Trump's Revised Tax Plan," p. 7.

¹² Institute on Taxation and Economic Policy, "Fortune 500 Companies Hold a Record \$2.6 Trillion Offshore"

(March 2017), p. 1. <http://www.itep.org/pdf/pre0327.pdf>

¹³ TPC, "An Analysis of Donald Trump's Revised Tax Plan," p. 7.

¹⁴ 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>

¹⁵ 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>

¹⁶ Congressional Budget Office, "American Health Care Act" (Mar. 13, 2017), Table 2.

<https://www.cbo.gov/system/files/115th-congress-2017-2018/costestimate/americanhealthcareact.pdf>

¹⁷ TPC, "An Analysis of Donald Trump's Revised Tax Plan," p. 7. Trump's campaign plan slightly reduced the revenue lost by requiring wealthy heirs to immediately pay capital gains taxes on inherited assets, with a \$10 million exemption.

¹⁸ 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-about-the-federal-estate-tax>

¹⁹ *The Detroit News*, "Clinton: Trump Plan to Ax Estate Tax Saves His Family \$4B" (Aug. 11, 2016). This estimate was based on Trump's original estate-tax repeal plan, which did not include the taxation of capital gains in larger estates.

<http://www.detroitnews.com/story/news/politics/2016/08/10/clinton-warren-economy/88546136/>