This morning, Donald Trump, following on the heels of a number of Republican 2016 presidential candidates, released “Tax Reform that Will Make America Great Again”—his plan to provide “tax relief for middle class Americans,” “simplify the tax code,” and “grow the American economy.” The Trump tax plan swaps four individual income tax rates for the current seven and puts the top rate at 25 percent—down significantly from the current top rate of 39.6 percent. His plan would also slash corporate income tax rates, lowering the top corporate tax rate to 15 percent, and get rid of the federal estate tax.

Already, the media is pointing to Trump’s plan as a validation of the billionaire’s “populist” stances—touting the plan’s elimination of the “carried interest” tax loophole, which lets investment fund managers enjoy too-low taxes on their income, and his pledge to zero out the tax bills for Americans earning less than $25,000 annually, or $50,000 for married filers. But as with the tax plans offered by fellow GOP candidates former Florida Gov. Jeb Bush, Sen. Marco Rubio (FL), Sen. Rand Paul (KY), and others, Trump’s plan would be a massive giveaway to America’s wealthiest few. And once again, working- and middle-class families are, to borrow a phrase from Trump, the total losers. Because of the loss of tax revenue, Trump’s tax plan would almost certainly force reckless cuts to government programs—such as Medicare or Medicaid—that would hit working- and middle-class families the hardest.

The tax plan rolled out by Trump:

Gives a huge tax break to the Trump family

Donald Trump’s plan to eliminate the estate tax is a huge boon to the wealthy—the estate tax only applies to estates worth more than $5.43 million, and only 2 out of every 1,000 estates pay any estate tax at all.

Among the biggest beneficiaries of Trump’s plan to eliminate the estate tax? The Trumps themselves.
• Eliminating the estate tax could mean that Trump’s heirs could save as much as $3.48 billion in estate taxes—given Trump’s claimed net worth of $8.7 billion and assuming Trump’s estate would pay the 40 percent estate tax rate on his full net worth.7

• Because it is easy for wealthy people to use loopholes to lower their estate tax bills, a more cautious estimate that assumes Trump would pay near the average estate tax rate of 18.8 percent for estates worth more than $20 million, indicates that Trump’s plan would give his heirs $1.64 billion in tax savings.8

Like the tax plans of other GOP candidates, provides big tax breaks for the wealthy few

Trump’s tax plan would slash corporate income and individual income tax rates—two moves that give bigger boosts to the country’s richest.

• The top 20 percent of taxpayers pay 78.6 percent of the country’s corporate taxes—meaning a tax cut on corporate income would be a huge boon for the top 20 percent but do little to nothing for everyone else.9

• Trump would cut the top individual income tax rate from 39.6 percent to 25 percent, sharply reducing the tax bills for those at the top. In an analysis of the Trump plan, Citizens for Tax Justice estimates that 34 percent of the tax cut benefits go to the top 1 percent of taxpayers, while only 9 percent of the tax plan’s benefits go to the middle 20 percent.10

• Even the hedge fund managers who Trump says are “getting away with murder”11 might get a tax cut on their carried interest. Trump claims to close this loophole, but if investment funds pay taxes as businesses under Trump’s new 15 percent business income tax rate, then their tax rate on carried interests would fall from 23.8 percent to 15 percent. Even if Trump requires hedge fund managers to pay taxes using his individual rates, taxes on carried interest would only increase from 23.8 percent to 25 percent. Trump would still give hedge fund managers huge tax cuts on the rest of their income.

Substantially increases the deficit

Trump claims that his plan “does not add to our enormous debt and deficit,”12 but any reasoned analysis of the plan suggests that it would be extremely costly. The plan jeopardizes programs that working- and middle-class families depend on for economic security, such as Social Security, Medicare, and Medicaid.

Using the information Trump makes available about his tax plan, Citizens for Tax Justice projects that the plan would cost $10.8 trillion over 10 years.13
• Citizens for Tax Justice’s estimate would mean that the Trump plan is more costly than funding Medicare for 10 years, projected to total $7.5 trillion between fiscal years 2016 and 2025.14

• The $10.8 trillion dollar price tag is also more than the total cost of Social Security benefits for older Americans and surviving spouses over 10 years, projected to cost $10.3 trillion between fiscal years 2016 and 2025.15

Conclusion

Similar to the other Republican candidates running for president, Donald Trump is trying to present himself as a champion of working- and middle-class families. Trump’s tax plan was supposed to be proof of that claim. But instead, Trump’s plan promises more gifts for the wealthy while hurting working- and middle-class families, just like the tax plans offered by the rest of the Republican field.

Ryan Erickson is the Associate Director of Economic Campaigns at the Center American Progress Action Fund.

Endnotes


8 This value is calculated as noted above, but instead of assuming the top rate, it assumes Trump’s total estate tax bill would likely fall closer to the average for estates of more than $20 million. For information on average estate tax rates, see Tax Policy Center, “Current Law Distribution of Gross Estate and Net Estate Tax by Size of Gross Estate” (2013), available at http://taxpolicycenter.org/numbers/displaytab.cfm?Docid=3776&Dtype=7.


12 Trump for President, “Tax Reform That Will Make America Great Again.”


15 Ibid.