



## Trump Revising Tax Plan but Still Not Releasing Returns

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Two supply-side economists are helping to reduce the cost of the \$10 trillion-plus tax cut plan proposed by presumptive Republican presidential nominee Donald Trump, who says he will not release his tax returns before the general election.

Two supply-side economists, Stephen Moore of the Heritage Foundation and CNBC commentator Larry Kudlow, are helping presumptive Republican presidential nominee Donald Trump reduce the cost of his \$10 trillion-plus tax cut plan.

And in a separate development, the billionaire real estate investor said not to expect the release of his tax returns before the November 8 general election.

As for the Trump tax plan, Moore told Tax Analysts, "We've made our recommendations to the campaign and they seem open to the changes."

Moore said the changes involve "leaving the fundamental structure in place while reducing the cost." He said they call for capping some credits and deductions to broaden the base and that the revised plan would remove fewer people from the tax rolls than what was proposed in Trump's original plan.

Also, Moore said he and Kudlow were working to get the cost below \$5 trillion and maybe as low as \$3 trillion.

Kudlow declined to be interviewed other than to say, "As a member of the Committee to Unleash Prosperity, I'm helping out." The committee includes Kudlow and Moore, as well as economist Arthur Laffer and Steve Forbes of Forbes magazine, and has advised several Republican presidential candidates on economic policy over the past year.

Central to Trump's original plan, released September 28, was the consolidation of the seven individual tax brackets into three, set at 10 percent, 20 percent, and 25 percent. Individuals earning less than \$25,000 a year and couples earning less than \$50,000 would be exempt from taxes. Trump claimed his plan would remove 75 million households from the tax rolls. It would also tax all businesses, including passthroughs, at the same 15 percent rate, compared with a current corporate rate of 35 percent.

The plan's cost was pegged at \$9.5 trillion over a decade by the Urban-Brookings Tax Policy Center and at \$10.4 trillion to \$12 trillion by the Tax Foundation.

Critics on both sides of the political spectrum said the cost made the original plan unrealistic. Some called it a fantasy. And the campaign of Democratic front-runner Hillary Clinton said May 9 that it was "the most risky, reckless, and regressive tax proposal ever put forth by a presidential candidate."

"I find it no coincidence that Trump's tax proposal has resurfaced during the week that he will meet with" House Speaker Paul D. Ryan, R-Wis., said Christopher Arterton, political analyst at George Washington University. "Ryan has made it very clear that tax reform lies at the top of his agenda."

Americans for Tax Reform President Grover Norquist expressed delight over the developments. "Given his choice of advisers, Donald Trump's revision of his tax plan will certainly be pro-growth, a net tax cut and consistent with the Taxpayer Protection Pledge," Norquist told Tax Analysts. His organization urges office holders and candidates to sign a pledge committing their opposition to any tax increases.

"This certainly makes clear where Donald Trump goes looking for advice on tax policy -- and it is a cheerful revelation," he said.

In all, Trump's tax plan and "other factors we are going to propose" could produce a budget surplus of \$4.5 trillion to \$7 trillion over 10 years, claimed Sam Clovis, a Trump adviser, at a May 11 event sponsored by the Peter G. Peterson Foundation, as reported by MarketWatch.com.

### **'Positive Development'**

Kyle Pomerleau, economist at the Tax Foundation, is among those waiting to see the revised version.

"Based on the revenue estimates of his plan, it is certain that he would need to modify it in order to make it work," Pomerleau said. He added that Trump's original plan "would require a significant reduction in federal spending. However, Trump has not indicated that he is willing to reduce federal spending by that amount. Thus, he will need to reduce the size of his tax cut to match his spending-side proposals."

Economist Chris Edwards of the Cato Institute called the possible revision of Trump's plan "a very positive development."

He added, "Trump has evolved from proposing a looney \$6 trillion tax hike on wealth back in 1999, to an unrealistic \$10 trillion tax cut last year, to a more doable tax cut of a few trillion dollars now."

Edwards said that despite Trump's "often strident tone," the real estate mogul "is showing on a number of fronts, including tax, that he is willing to compromise and listen to the experts to get deals done."

It's a contrast with the Obama administration, he added.

"President Obama always talked a good game on tax reform, but he was clearly never personally interested, and it never got done," Edwards said. "By contrast, Trump has shown strong interest in tax reforms to spur growth. [Trump] does seem to understand that we won't 'make America great again' unless we have a great tax climate for small businesses, big businesses, and entrepreneurs."

### **Tax Return Bombshell?**

As for Trump's tax returns, the presidential candidate said in an interview with the Associated Press, published May 11, that because of an ongoing audit he doesn't expect to release his returns anytime soon.

"There's nothing to learn from them," Trump said, adding that he doesn't believe voters are interested. He also said he would not overrule his lawyers and order the release of his returns if the audit isn't finished before November.

Trump's refusal to release his returns has drawn widespread criticism from tax law professors and political observers who have questioned the audit excuse. The IRS has said there is nothing legally that prevents someone under audit from releasing returns.

That criticism continued as David Cay Johnston, a Pulitzer prize-winning reporter on tax issues, told Tax Analysts May 11: "Whether or not Donald Trump becomes president, he isn't about to show any of his tax returns. His bogus excuse that he cannot show us returns under audit aside, he could release by his own standard returns on which audits are closed and yet he has not."

Mitt Romney, the 2012 GOP presidential nominee, said Trump's refusal to release his tax returns remains a major issue for his candidacy.

In remarks on Twitter and Facebook, the former Massachusetts governor said: "It is disqualifying for a modern-day presidential nominee to refuse to release tax returns to the voters, especially one who has not been subject to public scrutiny in either military or public service. Tax returns provide the public with its sole confirmation of the veracity of a candidate's representations regarding charities, priorities, wealth, tax conformance, and conflicts of interest."

Romney added: "There is only one logical explanation for Mr. Trump's refusal to release his returns: There is a bombshell in them. Given Mr. Trump's equanimity with other flaws in his history, we can only assume it's a bombshell of unusual size."

Romney similarly faced questions over his tax returns when running for president in 2012, most notably from then-Senate Majority Leader Harry Reid, D-Nev. But Romney ended up releasing them before the election.

Arterton said to expect the Clinton campaign to hit hard on the issue. "They want to make him into another Romney billionaire mostly because they hope it will cut into his support from white, working-class males," Arterton said. "The issue can help make that pitch and will probably come up in the fall debates. One can expect Clinton to have a zinger reply when Trump says it's because he's being audited."

"In the long run, however, I'm not sure the refusal will have much political punch," he said. "Those who are committed to Trump seem to be impervious to contrary facts or boisterous antics."