



Trump's tax plan: How the corporate tax cut will benefit pension plans

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President Donald Trump promised to use his tax reform overhaul to help middle-income Americans and aside from a tax cut, middle class earners could see financial benefit through fuller pension plans.

The path to more stable pension plans begins with the cut to the corporate tax rate, which is expected to be reduced from the current 35% level to 20%. That substantial tax break for corporations, alongside a cut in the capital gains tax, will raise equity prices, here's why:

“Equity prices are the present value of expected, future after-tax profits,” Chris Edwards, director of tax policy studies at Cato and editor of www.DownsizingGovernment.org, told FOX Business. “Capital gains taxes and corporate taxes directly reduce after-tax returns, so if you cut the corporate tax rate you directly raise the value of equities.”

And higher stock market prices lead to fuller, more stable pension plans with higher funding levels.