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Trump's tax proposal is 'nothing radical' – and the richest get the biggest cuts

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When he introduced his tax plan on Monday, Donald Trump came off as an Oprah equivalent, of sorts, only on tax reform: *You get a tax cut! YOU get a tax cut! And you get a tax cut, too!*

The Republican presidential frontrunner promised to eliminate taxes for the poorest Americans, close loopholes for the rich and simplify the US tax code by reducing the number of income brackets by more than half.

The poor wouldn't pay income tax. The rich wouldn't pay estate tax. And all of this would be paid for by hedge funds, which Trump previously said had been "getting away with murder".

It all sounded so exciting. Yet according to tax experts across the political spectrum, Trump's policy proposal is nothing new, "not a radical plan" so much as Republican orthodoxy including tax cuts for the poorest Americans that already exist.

"It reduces or eliminates most of the deductions and loopholes available to special interests and to the very rich," Trump said of his plan. "In other words, it's going to cost me a fortune."

Closer inspection of Trump's proposal, however, reveals that even the rich would be getting a tax cut – in fact, the most generous one.

As it stands now, under Trump's plan, more people would not be paying taxes than actually paying taxes, according to Chris Edwards, director of tax policy studies at the libertarian Cato Institute.

"I don't think that's healthy," he said. "I think taxes ought to be low and flat across the board and simple. Taking people off the tax roll on the bottom is dangerous for democracy."

In the presentation accompanying Trump's announcement, the campaign stated that by eliminating income tax for single Americans earning less than \$25,000 or married Americans jointly earning less than \$50,000, the candidate's policy would remove "nearly 75 million households – over 50% – from the income tax rolls".

Americans earning less than \$25,000 already do not pay any income taxes, said Josh Bivens, of the leftwing Economic Policy Institute. According to the Tax Policy Center, about 45% of taxpayers – equivalent to 76.5 million households – do not pay income tax. That’s mostly because of the earned income tax credits and the child tax credits where applicable.

“They usually get a refund,” said Bivens. “This idea that taxes are what is dragging down living standard is just not true. It’s a distraction from real issues.”

Voters tend to find any mention of tax reductions appealing, but, Bivens said: “The act is getting old.”

The only people who would *not* get a tax cut in Trump’s America – but would instead be paying for it – are hedge-funders and other “speculative partnerships that do not grow businesses or create jobs and are not risking their own capital”. Additionally, companies that have hold cash overseas will be subject to a one-time repatriation fee “at a significantly discounted 10% tax rate”.

Trump said that these proposals would make his plan revenue-neutral, but experts remain unconvinced. According to the Tax Foundation, a libertarian group, Trump’s plan would reduce US tax revenue by \$10.14tn over the next decade.

Furthermore, closing the carried interest loophole, many experts argued, would affect more than just hedge funds and is likely to also affect private equity and venture capital.

Yet for most Americans, hedge funds remain shrouded in mystery and as such have become an easy target.

“The word ‘hedge fund’ has become a bad word,” said Mitch Ackles, president of the Hedge Fund Association. “Think about what your first instinctual response is to the term hedge fund. People in my family cringe.”

It’s too early to determine what impact Trump’s proposal will have, says Ackles, but he expects to hear more about hedge funds in the coming weeks.

“Anything that Mr. Trump is bringing up – whether it’s immigration or this specific issue of carried interest – is getting greater scrutiny, greater attention from candidates on both sides of the aisle,” Ackles said.

Former Florida governor Jeb Bush has also called for closing the loophole on carried interest.

Edwards, of the Cato Institute, described the carried interest proposal as “sort of a side show” that has long stagnated on Washington’s agenda..

“Trump is trying to generally paint himself as an outsider and make a case that he is radically different than other Republican candidates, but the fact is, his tax plan is orthodox among Republican candidates,” said Edwards.

“He heavily criticizes Jeb Bush, but actually his tax plan is in some ways similar to Jeb Bush’s. It’s pretty orthodox. It’s not a radical plan.”

Bush, for his part, said he “finally” got around to reading Trump’s tax plan. “Looks familiar!” he tweeted on Tuesday. “I’m flattered. But he should’ve stuck with growth & fiscal responsibility.”