Add Tax Plans to the Disagreements Between Trump, Clinton

TAXES: Experts Evaluate the Possible Effects of Two Plans

■ By JOHN COX

The basic difference between the tax plans put forth by the two major U.S. political party presidential candidates is that Republican nominee **Donald Trump** would lower taxes overall, while Democratic standard-bearer **Hillary Clinton** would raise them. But their proposals differ in other respects that merit a closer look.

Business owners, for example, might be interested to know Trump and Clinton have different ideas about what, if anything, should be done to change corporate tax rates, and how tax professionals think the candidates' proposals would affect the U.S. economic growth.

Here's a comparison of some of the major points relevant to businesses:

Corporate Tax Rate

Trump says he wants to lower the corporate tax rate to 15 percent from the existing cap of 35 percent. The plan is seen not only as an attempt to make U.S. companies more competitive, but also to persuade them to bring foreign profits back to the United States.

Josh Maxwell

"Everybody says lowering the rate is really the only thing that's going to bring people back," said San Diego tax attorney **Josh Maxwell**, who is also a certified public accountant.

Michael Eggert

Clinton hasn't proposed any changes to the corporate tax rate. But she has called for creating business tax credits for apprenticeships and profit-sharing, among other changes.

Impacts on Government Revenue

The **Tax Foundation**, a Washington, D.C.-based think tank that calls itself nonpartisan, has analyzed both candidates' tax proposals and pointed to starkly different potential outcomes.

The foundation predicts Clinton's proposals would generate almost a half-trillion dollars in additional government revenue over a decade.

It says this would result primarily from her plan to cap itemized deductions, institute a so-called "Buffett rule" requiring millionaires to pay income tax of at least 30 percent, and create a 4 percent surtax on taxpayers with more than $5 million in annual income.

That estimate, however, assumes no change in behavior because of the change in tax policies. If the changes do cause individuals and businesses to act differently, the foundation says, tax revenues would rise by as little as $191 billion during the same 10-year period.

According to the Tax Foundation's September 2015 assessment of Trump's tax proposals, the Republican candidate's plan to lower individual income taxes, lower the corporate rate and simplify parts of the tax code would slash tax revenues by almost $12 trillion over the next decade, likely resulting in government deficits.

But that number, too, assumes no change in behaviors. The foundation says the estimate drops to $10.14 trillion when taking into account expected increases in labor and capital.

Economic Growth Impacts

San Diego CPA **Michael Eggert**, managing director of **CBIZ Millimaki Eggert**, said a central tenet of Trump's tax plan is that jobs will be created and the economy will grow "under the assumption the tax savings (proposed by the Republican nominee) will be reinvested by businesses."

If that's the case, how does his proposal measure up against Clinton's? Here again, the Tax Foundation sees a big difference between the candidates.

It says Clinton's tax plan would reduce U.S. gross domestic product — a broad measure of economic output — by about 1 percent over the long term "due to slightly higher marginal tax rates on capital and labor."

By contrast, the foundation says Trump's plan would "significantly reduce marginal tax rates and the cost of capital," leading to an 11 percent, long-term increase in GDP. It noted, however, that this projection assumes the candidate's tax cut "could be appropriately financed."

Dueling Tax Plans

Hillary Clinton	Issues	Donald Trump
4% surtax over $5 million	Ordinary Tax Rates	4 brackets (0, 12, 25, 33%)
4% surtax over $5 million; adds medium-term (2-6 yrs. at 23.8-43.4%	Capital Gains/Dividends Rate	Eliminate 3.8% Net Investment Income Tax
Caps benefit at 28% of deduction	Itemized Deductions	Limits tax value of deductions except charity and mortgage interest
Phases in minimum 30% rate on individuals earning over $1 million (Buffett Rule)	Alternative Minimum Tax	Eliminates AMT
• Adds business tax credits for profit sharing and apprenticeships • Taxes carried interests at ordinary rates and subject them to the self-employment tax • Adds tax on high-frequency financial transactions and a risk fee • Limits contributions to retirement accounts on large balances • Adds tax credits for caregiving expenses and high health care expenses • Adds tax credits for investment in community development and infrastructure	Other	• Reasonable cap on deductibility of interest against corporate tax • Taxes carried interests at ordinary tax rates
No proposal	Corporate Tax Rates	Lowers top rate from 35% to 15%; repeals most tax breaks
• Imposes exit tax on unrepatriated earnings on inversions • Increase foreign ownership requirements on inversions to 50% • Limit interest deduction to deter earnings stripping	International Income	• Ends deferral of overseas corporate income; adds 10% deemed repatriation rate • Preserves foreign tax credit
No proposal	Pass Through Business Income	Income taxed at 15% to individuals
• Increases top rate from 40% to 45%; lowers estate exclusion to $3.5 million ($7.0 million for married); lowers lifetime gift tax exemption to $1 million per person • Will modify rules for grantor trusts	Estate, Trust and Gift Tax	Eliminates estate tax and gift tax

Source: CBIZ Millimaki Eggert