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**The Trump & Clinton Tax Plans**

*How do they differ?*

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Seemingly every presidential candidate offers a plan for tax reform. You can add Donald Trump and Hillary Clinton to that long list. Here is a look at their plans, and the key reforms to federal tax law that might result if they were enacted.

**Donald Trump revised his tax plan this summer.** The latest plan put forth by Trump and his advisors contains the key features of the one introduced last year.

**Under Trump’s plan, the standard deduction would rise.** It would rise from the current level of $6,300 to $25,000 for single filers. Joint filers could claim a $50,000 standard deduction. (The GOP plan proposes respective standard deductions of $12,000 and $24,000.) Instead of seven federal income tax rates, there would just be three – 12%, 25%, and 33%. (In his original tax reform blueprint, the rates were 10%, 20%, and 25%.)1

The estate tax would vanish entirely under Trump’s plan. Taxes on capital gains and dividends would top out at 20%.2,3

**Trump wants to reduce the corporate tax rate from 35% to 15%.** The new lower rate would apply topartnerships, LLCs, and S corps as well as C corps. (With a proposed corporate tax ceiling of 15% and a proposed individual tax ceiling of 33%, some economists have wondered if a Trump presidency might generate a wave of individuals incorporating themselves.) Full expensing would also be allowed for business investments under Trump’s plan.1

Notably, Trump’s reforms would do away with the deferral of taxes on foreign profits. As it stands now, corporate taxes on foreign profits are deferred until overseas affiliates repatriate them. It can take years for those inbound dividends to arrive. The Trump plan would tax domestic and foreign profits on the same current-year basis.1

**Trump has also publicly spoken of greater tax relief for families raising children.** This would likely not be an expansion of the Child and Dependent Care Credit, but something new – either a deduction, a credit, or an exclusion. Given the high standard deductions that would be offered if Trump’s tax plan becomes law, higher-income households might be most interested in such an expanded child care deduction. If the Trump plan applies a child care deduction to payroll taxes rather than income taxes, many lower-income households could, theoretically, claim it. Less payroll tax revenue would mean less revenue for some key government programs.1

**Hillary Clinton’s tax plan would lower some taxes & raise others.** As the non-partisan Tax Policy Center has noted, only around 5% of Americans would see any real change to their taxes under the Clinton reforms – but the richest Americans would pay higher income taxes under her plan. Clinton’s corporate tax reforms would encourage firms to do more business in America, while her estate tax reforms could prompt changes in wealth transfer planning for some families.2,3

**High-earning households could see marginal rates rise.** Under Clinton’s plan, taxpayers with adjusted gross incomes greater than $5 million would pay a 4% surtax, effectively setting their marginal tax rate at 43.6%. Anyone earning more than $1 million would face an effective tax rate of 30%. Investors would have to buy and hold for longer intervals to take advantage of long-term capital gains tax rates. The current long-term rate of 20% would only apply if an investor owned an investment for six years; in preceding years, it would be incrementally higher.2,3,4

The federal estate tax would also rise to 45% through Clinton’s reforms. The current $5.45 million individual exemption would be reduced to $3.5 million ($7 million for married couples).2

**Clinton’s plan would adjust corporate taxation.** U.S. firms would find it harder to make tax inversions, whereby they merge with an overseas competitor and move their headquarters to another country to exploit that nation’s lower corporate tax rate. Earnings stripping – in which U.S. affiliates of multinational corporations “strip” profits from their stateside taxable income and send them to overseas parent companies in pursuit of tax savings – would cease. Companies would also face limits on deducting interest payments on their debt. While she has talked of a tax on the biggest financial institutions, Clinton has also expressed a desire to make the process of estimating, filing, and paying taxes less involved for small business owners.2,3

**Like Trump, Clinton wants tax relief for families.** She wants a new kind of tax credit for child care; the details have yet to emerge at this writing.2

**These plans have one destination.** That is Congress, and there is no telling how many or how few of these reforms may become law if Clinton or Trump are elected.

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**Citations.**

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