



## TRUMP'S FALSE CLAIMS ABOUT TAXES: *His Rhetoric Contradicts His Actual Proposals – and Reality*

**CLAIM:** Trump says he will enact [“historic tax reform.”](#)<sup>1</sup>

**REALITY: TRUMP'S “TAX REFORM” IS NOT REFORM, IT'S SIMPLY A MASSIVE TAX GIVEAWAY TO THE RICH AND CORPORATIONS.** True tax reform would close loopholes and make the system fairer for everyone. Trump's plan is a [\\$5 trillion](#) tax giveaway that mostly benefits the wealthy and big corporations.<sup>2</sup> As proposed in Trump's budget, these tax cuts would essentially be paid for by [\\$4.3 trillion in cuts](#) to Social Security, Medicare, Medicaid, education, and other services that help working families get by and get ahead.<sup>3</sup>

**CLAIM:** Trump claims his tax cuts will mainly help the middle class. [“The truth is the people I care most about are the middle-income people in this country who have gotten screwed... And if there's upward revision \[in taxes\], it's going to be on high-income people.”](#)<sup>4</sup>

**REALITY: THE TOP 1% WILL BE THE BIG WINNERS UNDER TRUMP'S TAX PLAN.** It gives half of the tax cuts to the richest 1%, who would each get an annual [tax cut of \\$175,000](#) on average.<sup>5</sup> **CLAIM:** Trump has claimed that his tax plan will give the [“biggest benefit” to the “working and middle class taxpayer”](#)—that [“it won't even be close.”](#)<sup>6</sup>

**REALITY: WORKING FAMILIES WILL BE THE BIG LOSERS UNDER TRUMP'S TAX PLAN.** In fact, a quarter of middle-class families would actually [pay higher taxes under his plan.](#)<sup>7</sup> Even worse, Trump would pay for his tax cuts for the wealthy and corporations by cutting public services working families rely on, such as [Social Security, Medicaid, education, infrastructure, nutrition programs](#) and other vital services.<sup>8</sup>

**CLAIM:** Trump claims [“small businesses will benefit the most”](#) from his plan to cut the top tax on so-called pass-through businesses to 15%.<sup>9</sup>

**REALITY: TRUMP'S “SMALL BUSINESS” TAX CUTS ARE REALLY A HOAX, AND A BOON FOR THE RICH.** Most small businesses already pay taxes at a 15% rate or lower, so [less than 7%](#) of business owners would get any tax cut.<sup>10</sup> [More than three-quarters](#) of the tax cuts would go to the richest 1% of business owners, who would get an average tax cut of \$75,000 each year.<sup>11</sup> These are not Main Street shopkeepers, but hedge fund managers, Wall Street lawyers and real estate developers like Trump, who would lower his own tax rate from roughly 40% to 15%.

**CLAIM:** Trump claims corporate and individual tax rates need to be reduced because [“we have the highest taxes in the world.”](#)<sup>12</sup>

**REALITY: AMERICANS ARE NOT OVERTAXED COMPARED TO OTHER COUNTRIES.** As a percentage of the overall economy, [Americans pay less in taxes than 30 of 35](#) other similarly developed countries.<sup>13</sup> And although the official corporate tax rate is 35%, most corporations pay much less because of loopholes. In fact, the Government Accountability Office found that profitable U.S. corporations paid an [effective tax rate of only 14%](#) from 2008 to 2012.<sup>14</sup>

**CLAIM:** *Trump claims his plan to deeply cut the tax rate on accumulated offshore corporate profits will [“bring that cash home” to be “reinvested”](#) in the American economy.<sup>15</sup>*

**REALITY: CUTTING TAXES ON OFFSHORE CORPORATE PROFITS WON'T SPUR THE U.S. ECONOMY.** Trump's proposal to tax those offshore earnings at just 10%, instead of the 35% they currently owe, amounts to a [\\$600 billion tax cut](#) for tax-dodging corporations<sup>16</sup>--a huge loss of revenue that could be used for economy-boosting public investments. When Congress provided a similar tax giveaway in 2004, corporations that brought home their profits [cut tens of thousands of jobs](#)<sup>17</sup> and gave [90 cents of every dollar](#)<sup>18</sup> in earnings brought home to rich shareholders through stock buybacks and dividends.

**CLAIM:** Trump claims that big corporations need to pay just a 10% tax rate on their offshore profits because those earnings will otherwise remain [“trapped” offshore](#), frozen out of the American economy.<sup>19</sup>

**REALITY: CORPORATE OFFSHORE PROFITS AREN'T REALLY “TRAPPED” OFFSHORE.** In fact, [many corporations bring their profits home now](#) and simply pay the tax due.<sup>20</sup> What's more, a U.S. Senate study found that much of the money is [not actually offshore anyway](#): it's already invested in the American economy, and corporations can use it for a variety of purposes.<sup>21</sup>

**CLAIM:** Trump's Treasury Secretary's claims that the Administration's multi-trillion-dollar tax giveaway will somehow [“pay for itself”](#).<sup>22</sup>

**REALITY: TAX CUTS DON'T PAY FOR THEMSELVES.** [No serious economist believes that's possible](#).<sup>23</sup> Instead, the best estimates are that Trump's proposed tax cuts would [reduce federal revenue by between \\$3.5-4.8 trillion](#) over the next 10 years, requiring either deep cuts to public services or a big increase in public debt.<sup>24</sup>

**CLAIM:** Trump claims that his proposed deep tax cuts for wealthy professionals and corporations will result in an [“explosion of new business and new jobs”](#).<sup>25</sup>

**REALITY: TAX CUTS FOR THE WEALTHY & CORPORATIONS WON'T CREATE MANY JOBS.** But recent experience and academic research both show that tax cuts for the wealthy and corporations are a [poor way to stimulate the economy and create jobs](#).<sup>26</sup> And Trump's proposed deep budget cuts to infrastructure, healthcare, medical research and education won't help create jobs, either.

**CLAIM:** Trump has claimed that he wants to abolish the estate tax because [“American workers...should not be taxed...at death”](#), implying that the estate tax affects average workers.<sup>27</sup>

**REALITY: ABOLISHING THE ESTATE TAX ONLY HELPS THE WEALTHY LIKE TRUMP.** [Only the richest one of every 500 estates](#) currently pays the estate tax—the estate must be worth \$5.5 million or more to be affected.<sup>28</sup> The only effect abolishing the estate tax will have on American workers is to [deprive them of over \\$20 billion in annual revenue](#), which pays for public services used by those who haven't inherited a fortune.<sup>29</sup>

**CLAIM:** Trump recently [tweeted](#) “Corporations have NEVER made as much money as they are making now.”<sup>30</sup>

**REALITY: WELL, ON THIS ONE HE'S RIGHT! CORPORATIONS ARE ALREADY EXTREMELY PROFITABLE.** But what Trump failed to add is that even as [corporate profits are near record highs](#), corporate tax payments flirt with historic lows. Sixty-five years ago, both corporate profits and corporate taxes equaled about 6% of the economy. Now, corporate profits represent 8.5% of the economy, corporate taxes only 1.9%.<sup>31</sup> Big corporations don't need a tax cut—what they need is to start paying their fair share of taxes again.

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- <sup>1</sup> The Hill, “Trump team preparing 'historic' tax reform” (Feb. 28, 2017). <http://thehill.com/policy/finance/321715-trump-says-his-team-is-preparing-historic-tax-reform>
- <sup>2</sup> Institute on Taxation and Economic Policy (ITEP), “Trump’s \$4.8 Trillion Tax Proposals Would Not Benefit All States or Taxpayers Equally” (July 20, 2017). <https://itep.org/wp-content/uploads/trump-prelim-tax-plan-full-report.pdf>
- <sup>3</sup> Center on Budget and Policy Priorities (CBPP), “Trump Budget Gets Three-Fifths of Its Cuts From Programs for Low- and Moderate-Income People” (May 30, 2017), p. 1. <http://www.cbpp.org/research/federal-budget/trump-budget-gets-three-fifths-of-its-cuts-from-programs-for-low-and-moderate-income-people>
- <sup>4</sup> CNN Money, “Trump now says he wants to tax the rich” (July 26, 2017). <http://money.cnn.com/2017/07/26/news/economy/trump-tax-the-rich/index.html>
- <sup>5</sup> Tax Policy Center (TPC), “The Implications of What We Know and Don’t Know about President Trump’s Tax Plan” (July 12, 2017), Table 4. [http://www.taxpolicycenter.org/sites/default/files/publication/142616/implications\\_of\\_what\\_we\\_know\\_and\\_dont\\_know\\_about\\_president\\_trumps\\_plan\\_1.pdf](http://www.taxpolicycenter.org/sites/default/files/publication/142616/implications_of_what_we_know_and_dont_know_about_president_trumps_plan_1.pdf)
- <sup>6</sup> Time, “Read Donald Trump's Speech on Jobs and the Economy” (Sept. 15, 2016). <http://time.com/4495507/donald-trump-economy-speech-transcript/>
- <sup>7</sup> TPC, Table 4 shows a tax increase of 23.9% and 23.8%, respectively, for the second and middle quintiles.
- <sup>8</sup> CBPP, p. 1.
- <sup>9</sup> Time, “Read Donald Trump's Economic Speech in Detroit” (Aug. 8, 2016). <http://time.com/4443382/donald-trump-economic-speech-detroit-transcript/>
- <sup>10</sup> TPC, “Options to Reduce the Taxation of Pass-through Income” (May 15, 2017), p. 6. <http://www.taxpolicycenter.org/sites/default/files/publication/141541/options-to-reduce-the-taxation-of-pass-through-income.pdf>
- <sup>11</sup> *Ibid.*
- <sup>12</sup> CNBC, “Trump says America has 'the highest taxes in the world'—here's how the US actually compares” (July 26, 2017). <https://www.cnbc.com/2017/07/26/trump-claims-america-has-the-highest-taxes-in-the-world.html>
- <sup>13</sup> ITEP, “The U.S. Is One of the Least Taxed Developed Countries” (April 2017). <https://itep.org/wp-content/uploads/oeecd2017.pdf>
- <sup>14</sup> Government Accountability Office, “Most Large Profitable U.S. Corporations Paid Tax but Effective Tax Rates Differed Significantly from the Statutory Rate” (April 13, 2016). <https://www.gao.gov/products/GAO-16-363>
- <sup>15</sup> Time, “Donald Trump’s Speech in Detroit.”
- <sup>16</sup> Americans for Tax Fairness, “The Worst Features of Donald Trump’s New Tax Plan” (April 26, 2017). <https://americansfortaxfairness.org/worst-features-donald-trumps-new-tax-plan/>
- <sup>17</sup> Congressional Research Service, “Tax Cuts on Repatriation Earnings as Economic Stimulus: An Economic Analysis” (Dec. 20, 2011), p. 7. <https://fas.org/sgp/crs/misc/R40178.pdf>
- <sup>18</sup> National Bureau of Economic Research, “Watch What I Do, Not What I Say: The Unintended Consequences of the Homeland Investment Act” (June 2009), p. 19. <http://www.nber.org/papers/w15023.pdf>
- <sup>19</sup> *The New York Times*, “Trump Tax Plan May Free Up Corporate Dollars, but Then What?” (Aug. 29, 2017). <https://www.nytimes.com/2017/08/29/business/economy/trump-corporate-tax-plan.html?mcubz=0>
- <sup>20</sup> *The Wall Street Journal*, “U.S. Companies Bring More Foreign Profit Home” (Mar. 23, 2015). <https://www.wsj.com/articles/u-s-companies-bring-more-foreign-profit-home-1427154070>
- <sup>21</sup> U.S. Senate Permanent Subcommittee on Investigations, “OFFSHORE FUNDS LOCATED ONSHORE MAJORITY STAFF REPORT ADDENDUM,” (Dec. 14, 2011), p. 1. <https://www.americanprogress.org/wp-content/uploads/2014/01/TrappedRevenues-brief1.pdf> <http://www.hsgac.senate.gov/download/report-addendum-psi-majority-staff-report-offshore-funds-located-onshore>
- <sup>22</sup> *The Washington Post*, “Trump’s Treasury Secretary: The Tax Cut ‘Will Pay for Itself’” (Apr. 20, 2017). [https://www.washingtonpost.com/news/wonk/wp/2017/04/20/trumps-treasury-secretary-the-tax-cut-will-pay-for-itself/?utm\\_term=.ae42eacfac99](https://www.washingtonpost.com/news/wonk/wp/2017/04/20/trumps-treasury-secretary-the-tax-cut-will-pay-for-itself/?utm_term=.ae42eacfac99)
- <sup>23</sup> Vox, “37 Top Economists All Say Trump's Tax Plan Won't Pay for Itself” (May 5, 2017). <https://www.vox.com/policy-and-politics/2017/5/4/15536394/american-economists-trump-tax-plan>
- <sup>24</sup> The \$3.5 trillion figure is from the TPC, “President Trump’s Tax Plan,” Table 2. The \$4.8 trillion figure is from ITEP, “Trump’s \$4.8 Trillion Tax Proposals.”

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<sup>25</sup> Time, “Donald Trump’s Speech on Jobs.”

<sup>26</sup> CBPP, “Large Job Growth Unlikely to Follow Tax Cuts for the Rich and Corporations” (June 9, 2017).  
<https://www.cbpp.org/sites/default/files/atoms/files/5-2-17tax.pdf>

<sup>27</sup> Time, “Donald Trump’s Speech in Detroit.”

<sup>28</sup> CBPP, “Ten Facts You Should Know About the Federal Estate Tax” (May 5, 2017).

<https://www.cbpp.org/research/federaltax/ten-facts-you-should-know-about-the-federal-estate-tax>

<sup>29</sup> TPC, “President Trump’s Tax Plan,” Table 2.

<sup>30</sup> @realDonaldTrump Twitter account (Aug. 1, 2017).

<https://twitter.com/realDonaldTrump/status/892370324616089600>

<sup>31</sup> Americans for Tax Fairness and Economic Policy Institute, “Corporate Tax Chartbook: How Corporations Rig the Rules to Dodge the Taxes They Owe” (Sept. 19, 2016), Figure 2. [https://americansfortaxfairness.org/wp-content/uploads/Corporate-tax-chartbook-How-corporations-rig-the-rules-to-dodge-the-taxes-they-owe- - Economic-Policy-Institute.pdf](https://americansfortaxfairness.org/wp-content/uploads/Corporate-tax-chartbook-How-corporations-rig-the-rules-to-dodge-the-taxes-they-owe--Economic-Policy-Institute.pdf)