

# Trump tax plan: Relief for his voters, lots of unknowns

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Associated Press

WASHINGTON — President Donald Trump's plan to overhaul the nation's tax code could provide significant tax cuts for the working-class voters who elected him, but the unknowns could end up hurting many of these core supporters of the president.

A look at how Trump's tax plan could affect families at different income levels:

## THE WORKING CLASS

These are the people who have been left behind by an increasingly globalized economy.

Trump's proposal, a one-page outline short on detail, says he would double the standard tax deduction, which could provide significant relief to working-class families. But Trump's top economic adviser used some bad math to describe the proposal, raising questions.

Gary Cohn said the standard deduction for a married couple would be doubled to \$24,000. But that's not double. The standard deduction for a married couple is \$12,700, so double would be \$25,400.

Cohn said the deduction would create "a zero tax-rate for the first \$24,000."

That sounds great, but very few families making \$24,000 a year pay federal income tax, said Roberton Williams, a fellow at the nonpartisan Tax Policy Center. In fact, 44 percent of all U.S. households pay no federal income tax, though most pay other taxes.

Trump's one-page sketch is silent on whether the tax code would still include the personal tax exemption, which allows most families to exempt \$4,050 in income for each spouse and dependent child. In big families, this tax exemption can add up.

During the campaign, Trump released a tax proposal that would eliminate the personal exemption.

Also during the campaign, Trump proposed getting rid of the "head of household" filing status, which is mainly used by single parents. This filing status provides a lower tax rate and a higher standard deduction than filing as a single person.

Trump's new plan is silent on this issue as well.

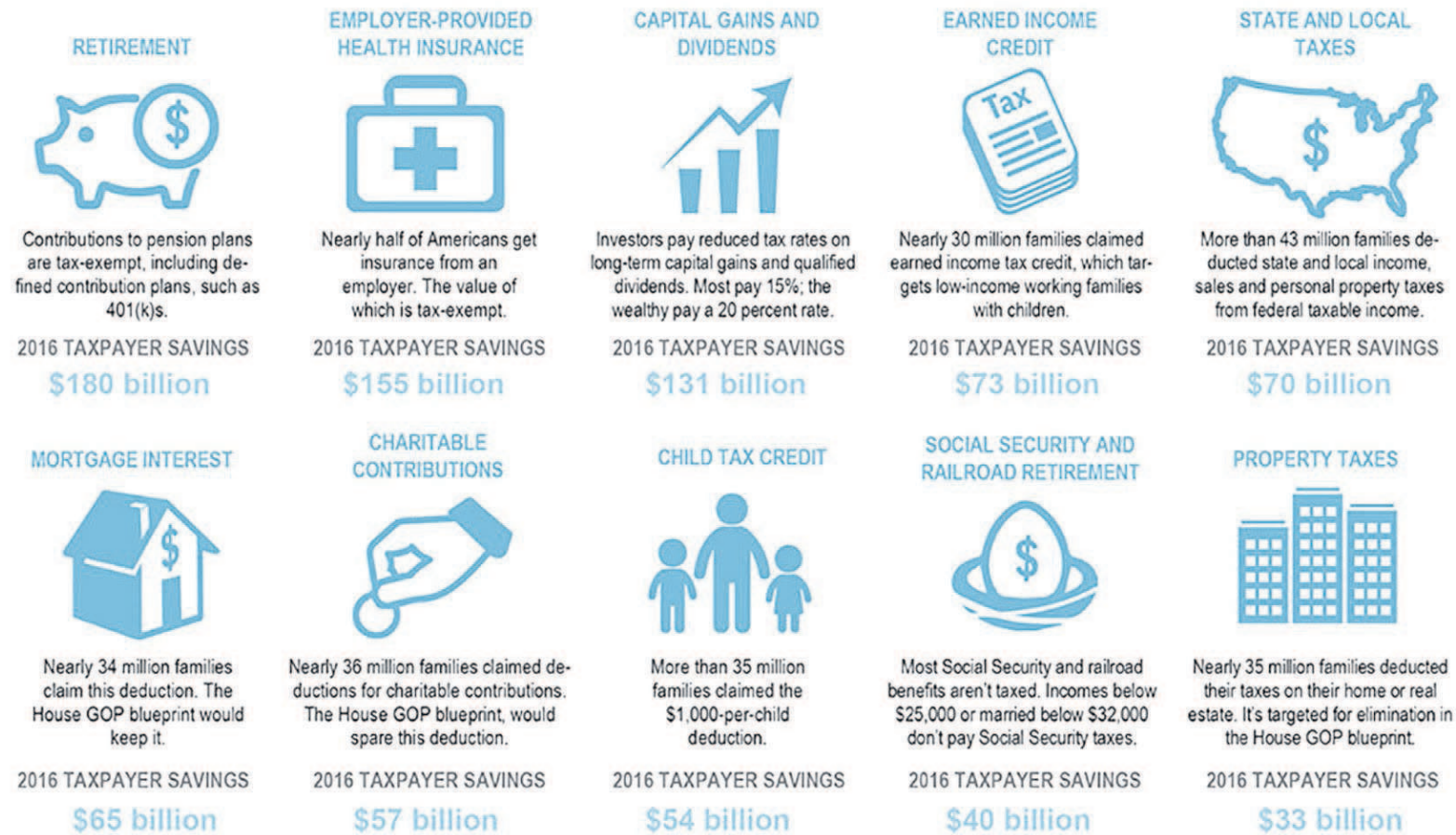
## THE MIDDLE CLASS

The median household income in the U.S. is about \$55,000, though people living in high-cost areas can make much more than that and still feel like they are in the middle class.

Doubling the standard deduction — or at least raising it to \$24,000 — could provide significant tax relief to middle-income families. But whether they pay more or less depends largely on details that have yet to be released.

One of those pesky details is

## Top 10 tax breaks of 2016



how Trump will structure the tax rates on individual income.

Trump has proposed reducing the number of tax rates from seven to three — 10 percent, 25 percent and 35 percent. But the administration has yet to determine the income levels for people who would be put in each bracket.

## HIGH-INCOME FAMILIES

Trump's plan has the potential to provide big tax cuts to high-income families — unless you live in a state with high state and local taxes.

Trump calls for eliminating the Alternative Minimum Tax, which was enacted in 1969 to prevent high-income people from paying no income tax. It has evolved over the years and now impacts about 5 million households, most of them making between \$200,000 and \$1 million a year.

In 2005, Trump himself paid \$36.5 million in taxes, mostly because of the AMT. Without it, he would have paid just \$5.5 million, according to a leaked copy of that year's return.

On the flip side, Trump wants to eliminate the deduction for state and local taxes, a big tax break that benefits millions, especially people living in Democratic-controlled states with high local taxes such as New York, New Jersey and California.

Last year, more than 43 million families claimed the deduction, saving them nearly \$70 billion.

## THE SUPERRICH

These are the 1 percenters, people like Trump who make millions a year and are worth even more. Trump is proposing big tax cuts for the superrich, including repealing the estate tax.

The federal estate tax is widely misunderstood. The fact is it affects very few estates.

If your parents' estate is worth less than \$10.9 million, you don't have to worry about this tax. This year, about 5,200 estates will pay the tax, according to the Tax Policy Center.

Trump also wants to reduce the top income tax rate from 39.6 percent to 35 percent. But perhaps the biggest windfall for rich people could come from Trump's plan to lower the top tax rate for small business owners from 39.6 percent to 15 percent.

Rich people, including Trump, tend to report a lot of business income, Williams said.

But the true effect of this tax cut will depend on how the Trump administration defines a small business owner. If the tax cut applies to all business income reported on individual tax returns, it would be a huge windfall for many rich families.

Treasury Secretary Steve Mnuchin said Trump will propose safeguards that would prevent rich people from taking advantage of the tax cut, but he provided no details on how that would work.

## Trump's tax plan

Highlights of the plan to revamp the federal tax code proposed by the White House on Wednesday:

CATEGORY	CURRENT POLICY	TRUMP PROPOSAL
Income taxes	Seven brackets: 10%, 15%, 25%, 28%, 33%, 35%, 39.6%	Three brackets: <b>10%, 25%, 35%</b>
Standard deduction	\$6,350 for singles, \$12,700 for married couples	<b>Increases</b> deduction so that a married couple could claim \$24,000
Alternative Minimum Tax	Limits certain tax benefits for higher-income earners	<b>Eliminated</b>
Capital gains tax	Top rate of 28%	No higher than <b>20%</b>
Estate tax	Taxes estate property valued at more than \$5.5 million	<b>Eliminated</b>
Corporate taxes	Top rate of 39%	No higher than <b>15%</b>
Tax deductions	Dozens of deductions and loopholes allow individuals and corporations to reduce their tax burden	<b>Eliminates all tax breaks</b> except those for mortgage interest and charitable giving

SOURCES: Internal Revenue Service, White House

AP

## BRIEFLY

### Tillerson says China asked North Korea to stop nuclear tests

WASHINGTON (AP) — U.S. Secretary of State Rex Tillerson said Thursday that China has threatened to impose sanctions on North Korea if it conducts further nuclear tests.

"We know that China is in communications with the regime in Pyongyang," Tillerson said on Fox News Channel. "They confirmed to us that they had requested the regime conduct no further nuclear test."

Tillerson said China also told the U.S. that it had informed North Korea "that if they did conduct further nuclear tests, China would be taking sanctions actions on their own."

Earlier Thursday, the senior U.S. Navy officer overseeing military operations in the Pacific said the crisis with North Korea is at the worst point he's ever seen, but he declined to compare the situation to the Cuban missile crisis decades ago.

"It's real," Adm. Harry Harris Jr., commander of U.S. Pacific Command, said during testimony before the Senate Armed Services Committee.

Harris said he has no doubt that North Korean leader Kim Jong Un intends to fulfill his pursuit of a nuclear-tipped missile capable of striking the United States. The admiral acknowledged there's uncertainty within U.S. intelligence agencies over how far along North Korea's nuclear and missile programs are. Harris said it's not a matter of if but when.

"There is no doubt in my mind," Harris said.

### Senate confirms Alex Acosta as Trump's secretary of labor

WASHINGTON (AP) — The Senate on Thursday confirmed Alex Acosta as

Labor secretary, filling out President Donald Trump's Cabinet as he approaches his 100th day in office.

The 60-38 vote confirms Acosta to the post. Once sworn as the nation's 27th Labor secretary, the son of Cuban immigrants will lead a sprawling agency that enforces more than 180 federal laws covering about

10 million employers and 125 million workers.

Sen. Tim Scott, R-S.C., spoke for many Republicans with a statement issued just after the vote saying he hopes Acosta's focus will be "promoting labor policies that are free of unnecessarily burdensome federal regulations." Scott said he wants Acosta to permanently

revoke rules governing financial advisers and adding Americans eligible for overtime pay.

Democrats said any Labor secretary should advocate for the American workers to whom Trump promised so much during his upstart presidential campaign. They said Acosta has given no such

commitment.

Acosta has been a federal prosecutor, a civil rights chief at the Justice Department and a member of the National Labor Relations Board. He will arrive at the top post with relatively little clear record on some of the top issues facing the administration over key pocketbook issues, such as whether to expand the pool of American workers eligible for overtime pay.



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