

When Will the Real Donald Trump Tax Plan Show Up?

Now that Donald Trump has locked up the Republican nomination, we can look more closely at his policy proposals. In April, when the two candidates were still battling for the Republican nomination, I compared Donald Trump's tax plan to Ted Cruz's plan. Now the important question is how does Trump's plan compare with Hillary Clinton's or a possible third party candidate's plan? Importantly, Trump has indicated recently that he might propose a different tax plan than what he originally proposed, saying so to both ABC and NBC. If he sticks with the principles of his original tax plan, but seeks smaller cuts in tax rates, his revised plan would be better by being more consistent with fiscal responsibility.

In his recent statements, Trump has sent mixed signals about how he would revise his tax plan. In one interview, he said that taxes on the wealthy would "go up a little bit" under a Trump administration. He later clarified himself by saying tax rates on high income Americans would be higher than under his original plan, but less than under current law.

Kyle Pomerleau, the Tax Foundation's director of federal projects, says that with the tentative revisions that are being considered, Trump's plan would include three tax brackets, 15 percent, 25 percent and 28 percent. This compares to his original proposal of 10, 20 and 25 percent tax brackets. The revised plan would involve a lower standard deduction of \$10,000 per taxpayer instead of the \$25,000 standard deduction he originally proposed.

Mr. Trump needs to do more to clarify whether and how his tax plan has changed. His spokeswoman, Hope Hicks, claims that no changes are being made to his tax plan. Economists Arthur Laffer, Larry Kudlow and Stephen Moore have met with Trump

staffers with proposals to tweak his tax plan so that it does not increase the deficit so much.

If all the changes Kudlow and Moore recommend were implemented, Trump's plan would increase the deficit by an estimated \$3.8 trillion over 10 years, considerably less than the more than \$10 trillion the Tax Foundation estimated Trump's original plan would increase the deficit if it were not accompanied by spending cuts.

It would be great if Trump would demonstrate a commitment to fiscal responsibility by proposing smaller tax cuts (albeit cuts that are still substantial). He has given less indication that he favors major reductions in spending. Even if he advocated cuts in spending, there is no reason to expect that Congress would cut spending by very much, even if it were to enact tax cuts.

Ultimately, it is not the president but Congress that makes decisions about tax policy. Nevertheless, the president possesses the bully pulpit, and thus can play an important role by selling a change in tax policy to the public. Congress might not enact the president's proposal in every detail, but that proposal could provide the basic direction that Congress will go, if the House and Senate are controlled by the president's party.

At this point, a substantial number of Republicans and conservatives are hesitant to support Donald Trump. He might be able to earn the support of many of them if he clearly articulates economic policy proposals that distinguish him from his Democratic opponent, yet do not appear radical. His original tax cut proposal was radical because it would almost certainly have led to an explosion in federal debt. If he proposes tax cuts that are more moderate than his original proposal, emphasizing both the benefit of improved incentives and his commitment to fiscal responsibility, he might be able to attract more votes from fiscal conservatives. {eo}

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