



Trump's Tax Plan Will Benefit *All* Income Groups, But the Most Benefits will Accrue to the Top Half of Income Earners

by Pamela Villarreal

Presidential candidate Donald Trump has proposed a number of tax reforms in order to reduce tax burdens, simplify the tax code and boost economic growth.

Table I shows the amount of tax paid per person in each income decile. The effect of the Trump plan would be to lower taxes for every group. Averaged over the ten deciles, the tax burden would fall by 20.2 percent, with lower proportionate reductions in the lower-to-middle income deciles and higher than average proportionate cuts at the two ends of the income distribution. The reductions would be modest for the lowest quintiles in terms of dollar amounts, but those in the top half of the income distribution would receive an average tax break of \$1,000 per person.

Table I. Changes in Federal Taxes Paid: Trump Proposals vs. Current Rules

	Tax paid: current rules	Tax paid: Trump proposal	Change in tax paid	% change in tax paid	% of tax cuts	Tax change as % of income
	<i>dollars per capita in 2017</i>			<i>Percentages</i>		
Deciles						
1 (poor)	197	-99	-296	-150.4	1.8	-3.6
2	108	-296	-404	-374.5	2.5	-2.3
3	776	527	-248	-32.0	1.7	-0.9
4	466	388	-78	-16.7	1.6	-0.2
5	8,701	7,411	-1,290	-14.8	2.3	-2.9
6	8,032	6,685	-1,347	-16.8	4.0	-2.5
7	9,978	8,319	-1,659	-16.6	5.6	-2.5
8	13,345	11,554	-1,791	-13.4	6.4	-2.2
9	17,695	16,662	-1,032	-5.8	4.0	-1.0
10 (rich)	52,082	36,185	-15,897	-30.5	70.1	-6.7
Total/Ave	10,827	8,645	-2,182	-20.2	100.0	-3.2

Note: Deciles refer to trimmed broad income per adult equivalent.

- Under the current tax code, the average amount paid by an income earner in the bottom 10 percent is \$197, the top 10 percent, \$52,082.
- Under the Trump plan, taxes paid would fall in every decile. The bottom 10 percent would receive an average \$296 per person, while the top 10 percent would receive \$15,897 per person.

- While these tax cuts tilt heavily toward the rich, it is important to note that the bottom two income groups would experience the *largest percentage* change in taxes paid. The tax burden for the poorest 10 percent would fall 150 percent, and the burden for the second poorest group would fall 375 percent!
- In general, 70 percent of the gains from lower taxes would accrue to the top 10 percent of earners. The bottom 10 percent of earners would receive 10 percent of the tax cuts.

In terms of broadly measured income (includes adjusted gross income and then adds some tax-exempt sources of income and employer contributions to health insurance, among other adjustments [see Table II]):

- All income groups will see an increase in broadly measured net income of at least 6.5 percent under static analysis.
- Net income for the bottom 10 percent of earners would rise 15.7 percent under dynamic analysis.
- However, the greatest increase in net income, 30.4 percent, would occur for the top 10 percent of earners.
- On average, taxpayers would experience an increase of 15.7 percent in broad net income.

Table II. Gross and net income per adult equivalent, estimated, 2017

Deciles	Baseline		Trump: Static analysis		Trump: Dynamic analysis	
	Gross income \$/ae/year	Net income \$/ae/year	Net income \$/ae/year	% change to baseline	Net income \$/ae/year	% change to baseline
1 (poor)	7,548	6,946	7,851	13.0	8,037	15.7
2	16,924	16,589	17,842	7.6	18,212	9.8
3	24,446	21,628	22,530	4.2	23,224	7.4
4	31,542	26,317	27,188	3.3	28,292	7.5
5	39,655	31,303	32,541	4.0	33,906	8.3
6	49,482	37,066	39,149	5.6	40,708	9.8
7	61,605	44,146	47,049	6.6	48,823	10.6
8	77,537	53,003	56,296	6.2	58,248	9.9
9	102,728	68,520	70,516	2.9	72,950	6.5
10 (rich)	244,440	132,084	166,379	26.0	172,303	30.4
Average	66,829	44,389	49,542	11.6	51,305	15.6

The tax changes under the Trump plan would reduce federal revenues by an estimated \$8.4 trillion over a ten-year period, given the stimulative effects of growth reported in our companion study (see *Donald Trump's Tax Plan under the NCPA's Model of the U.S. Economy*). This represents a 20 percent reduction in tax revenue relative to the CBO forecasts.