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FAMIILIES FACING TAX INCREASES UNDER TRUMP'S TAX PLAN

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ABSTRACT

Donald Trump's tax plan would cost about $6 trillion over 10 years. Trump claims his plan would cut taxes for every income group, with the largest tax cuts for working- and middle-class families. But despite its enormous price tag, his plan would actually significantly raise taxes for millions of low- and middle-income families with children, with especially large tax increases for working single parents.

This paper explains how Trump's tax plan would raise taxes on so many families and provides examples of how large these tax increases would be. It conservatively estimates that Trump's plan would increase taxes for about 8.7 million families. About 20 percent of households and more than half of single parents would pay more in taxes. Roughly 26 million individuals reside in these families facing a tax increase, including 11 million adults and 15 million children.

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INTRODUCTION

Donald Trump's latest tax plan would cost about $6 trillion over 10 years.[1] Trump claims his plan would cut taxes for every income group, with the largest tax cuts for working- and middle-class families (Donald J. Trump Campaign 2016a and 2016b). For example, he states that his plan "takes dead aim at eliminating deductions and loopholes available to special interests and the wealthy, as well as those deductions made redundant or unnecessary by the much-lower rates every person or business will be paying" (Trump 2015). But despite its enormous price tag, his plan would actually raise taxes significantly for millions of low- and middle-income families, with especially large tax increases for working single parents.

This paper explains how Trump's latest tax plan would raise taxes on so many families and provides examples of how large these tax increases would be. It conservatively estimates that Trump's plan would increase taxes for about 8.7 million households. About 20 percent of households with children and more than half of single parents would pay more in taxes. Roughly 26 million individuals reside in these families facing a tax increase, including 11 million adults and 15 million children.[2]

For example, a single parent earning $75,000, with two school-aged children and no child care costs would face a tax increase of $2,440.[3] If the family had $8,000 in child care costs eligible for Trump's proposed deduction and credit for child care, they would still pay $1,640 more in taxes.

[1] The Tax Policy Center estimates his plan would cost $6.2 trillion over 10 years (Nunns et al. 2016). The Tax Foundation estimates his plan would cost $5.9 trillion over 10 years (Cole 2016), which is likely an underestimate because it does not account for gaming in response to Trump's special rate for passthrough business income. The Tax Policy Center and the Tax Foundation make different assumptions about how Trump's proposed 15% rate for passthrough business income would work because it is not entirely clear. These estimates do not include macroeconomic effects, which could be negative or positive depending on, among other things, how much interest rates respond to increases in the national debt. See, for example, Stone and Huang (2016).

[2] These estimates expand on those in an earlier version of this paper. Specifically, the paper now includes single filers and households with five children in estimating how many households face a tax increase under Trump's plan. The paper also includes more detailed demographic information on the households facing a tax increase.

The estimates here are based on Trump's plan as currently drafted. As discussed in more detail below, the Trump campaign responded to a previous version of this paper by stating that "Trump will instruct the committees writing his plan into law to make sure that it does not raise taxes on any low- or middle-income earners" (Tankersley 2016). However, Trump has not revised his plan to eliminate its tax increases on low- and middle-income households in the month since the first version of this paper was released. Doing so would be relatively simple but would potentially increase the cost of his plan by more than $2 trillion over the first decade.

[3] This example is not an outlier. I estimate that more than 6 million families whose children are all age 5 or older, and who have zero child care costs, would face a tax increase under Trump's plan.

In fact, even a hypothetical family highlighted by the Trump campaign as receiving a significant tax cut under his plan (a married couple with two children making $50,000, and with $8,000 in child care costs) would receive a very small tax cut, just $92, when calculated correctly (Donald J. Trump Campaign 2016a). And that family would face a tax increase of $450 if they had three children rather than two.

DRIVERS OF TRUMP'S TAX INCREASES

There are five reasons why Trump's plan would increase many families' taxes.[4]

First, Trump would raise the standard deduction and repeal personal exemptions, which are currently $4,050 per member in the filing household.[5] The increase in the standard deduction, which would be $5,700 higher for single parents[6] and $17,400 higher for married couples, would be less than the loss of personal exemptions for many families (Table 1). Setting aside his other proposals, the net effect would be a tax increase for most single parents with dependent children and most married households with at least three dependents.[7]

[4] For briefer summaries of how Trump's plan would raise taxes for some households, including examples, see Stein (2016) and Citizens for Tax Justice (2016).
[5] All figures and calculation numbers in this paper are based on 2016 law.
[6] In general, I use the terms "single" as shorthand for single filers and "single parents" as shorthand for head of household filers with children age 18 or younger. Technically single filers must be unmarried with no dependents, but may be single, unmarried and cohabiting, divorced, or widowed. Head of household filers are unmarried filers with dependents, regardless of whether their dependents are their children, but my focus is on head of household filers with children.
[7] This is not true of all married households with more than three dependents or all single households with at least one dependent because the lowest income households have zero taxable income (after the standard deduction and personal exemptions) under both current law and Trump's plan, and because current law phases out the personal exemptions at high income levels.

TABLE 1

Standard Deduction plus Personal Exemptions Under Current Law and Trump Plan[1]

Number of Children	Head of Household		Married Couple Filing Jointly	
	Current Law	Trump Plan	Current Law	Trump Plan
1	$17,400	$15,000	$24,750	$30,000
2	$21,450	$15,000	$28,800	$30,000
3	$25,500	$15,000	$32,850	$30,000
4	$29,550	$15,000	$36,900	$30,000
5	$33,600	$15,000	$40,950	$30,000

Note:
[1]Under current law, the standard deduction is $9,300 for heads of household filers and $12,600 for married couples filing jointly. The personal exemption is $4,050 each for the taxpayer(s) in the filing unit and all dependents.

Second, Trump would repeal the head of household filing status. Under current law, this filing status applies to unmarried taxpayers with dependents, and provides a standard deduction and rate brackets that are between those for married filers and single filers in order to account for the burden of caring for dependents on one's own. This further increases taxes on many unmarried taxpayers with at least one dependent.

Third, Trump would consolidate the current seven tax brackets into three: 12 percent, 25 percent and 33 percent. In the process, some taxable income would be subject to higher rates than under current law. For example, he would repeal the 10 percent bracket, replacing it with a 12 percent bracket. Setting aside his other proposals, this would increase taxes for nearly all tax filers with positive taxable income.[8] In addition, some taxable income that falls within the 25 percent or 28 percent brackets under current law would be taxed at a rate of 33 percent under his plan.[9]

Finally, for low- and middle-income caretakers, Trump's new tax deduction and credit for child care would provide too little benefit to make up for the tax increases described above.[10] Ironically his proposed deduction also appears to provide larger tax

[8] Under current law, the 10 percent bracket applies to the first $9,275 of taxable income for single filers, $13,250 for head of household filers, and $18,550 for married couples filing jointly.
[9] For example, for single filers, the 33% bracket applies to taxable income between $190,150 and $413,350 under current law, while it applies to taxable income over $112,500 under Trump's plan. For head of household filers, the taxable income threshold for the 33% bracket is $210,800 under current law and $112,500 under Trump's plan. For married couples filing jointly, the threshold is $231,450 under current law and $225,000 under Trump's plan.
[10] The small benefits for low- and middle-income families occur for two reasons. First, Trump's proposed child care deduction is most valuable to those in higher tax brackets because they get to deduct the costs against higher tax rates. Second, Trump's proposals are alternatives to the existing child and dependent care tax credit (CDCTC). For many families,

benefits to parents who do not pay for child care (because a parent or grandparent stays home to care for their children) compared to those who actually pay for child care.[11] As a result, it is better characterized as a tax deduction for having children rather than for child care.

EXAMPLES OF FAMILIES FACING TAX INCREASES

Following are some examples of families who would pay more taxes under Trump's plan.[12] Appendices A and B walk through the calculations and explain the assumptions underlying them.

Some of the largest tax increases would apply to single parent families because of the repeal of the head of household filing status and personal exemptions. For example:

1. **A single parent with $75,000 in earnings, 2 school-aged children, and no child care costs would face a tax increase of around $2,440.** Even if the family had $8,000 in child care costs and could therefore benefit from Trump's child care proposals, they would still face a tax increase of $1,640.

2. **A single parent with $50,000 in earnings, 3 school-aged children, and no child care costs would also face a tax increase of around $1,188.** And even if the family had up to $6,000 in child care costs, the tax increase would remain the same, because the existing child care tax benefit would be better for them than Trump's proposals.

Many married couples with children would also face a tax increase under Trump's plan, or receive very little benefit, because of the elimination of personal exemptions. For example:

3. **A married couple with $50,000 in earnings, 2 school-aged children, and no child care costs would face a tax increase of about $150** because they would lose the benefit of the current law 10 percent bracket. If the couple had 4 school-aged children, the tax increase would rise to $1,090 because their loss of personal exemptions also outweighs Trump's proposed increase in their standard deduction.

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the CDCTC provides larger benefits than Trump's proposed deduction or credit for child care, and the Trump campaign has been clear that families could not use the same expenses to claim multiple child care tax benefits (Donald J. Trump Campaign 2016a).

[11] His child care proposals for parents who do not pay for child care are somewhat ambiguous and have been interpreted in different ways. For details, see Appendix A.

[12] These examples assume that the children are age 16 or under and therefore qualify for the child tax credit. Where the family has child care expenses, the example assumes the children are age 12 or under and therefore qualify for Trump's proposed child care deduction and credit.

4. **Other married couples would get almost no benefit, including a hypothetical family highlighted on the Trump campaign website**. The Trump campaign website states that a married couple with $50,000 in earnings, 2 children, and $8,000 in child care costs would see its tax bill cut by 35 percent.[13] In reality, that family would receive a tax cut of only $92, or 0.2 percent of their after-tax income.[14] And if the family had a third child, that tax cut would become a tax increase of nearly $450.

NUMBER OF FAMILIES FACING TAX INCREASES

In order to estimate the number of families facing tax increases, I calculated ranges of income and child care expenses under which households with different family structures would face tax increases under Trump's plan.

The following tables summarize which families would pay higher taxes if Trump's plan were implemented in 2016.

[13] The Trump campaign's explanation for how they reach the 35 percent figure is that they disregard the child tax credit and child and dependent care credit (which are unchanged under Trump's plan) and look at the percentage change in tax liability rather than in after-tax income (Rubin 2016).However, even under these assumptions, the change in tax liability is 6.5 percent, not 35 percent. (See the pre-credit tax liability in Examples 3(a) and 4(a) in Appendix B.) Moreover, focusing on the percent change in tax liability is a misleading way to characterize the distributional effects of a tax plan. It makes any tax plan appear far more progressive because, at the extreme, a taxpayer who owed $1 under current law and $0 under a proposal would be treated as receiving a 100 percent tax cut despite benefiting by only $1. For a more detailed discussion, see Kamin (2008).

[14] The family would have negative federal income tax liability and thus receive a tax refund of $990 under current law and $1,082 under Trump's plan. It is unclear how to calculate the percent change to their tax bill when their income tax liability is negative, but the change is not 35%.

TABLE 2

Income Ranges of Single Filers with Children Facing a Tax Increase under Trump's Plan

Child care costs	Number of children				
	1	2	3	4	5
$0 if all children in school[1]	$16,000- - $49,000, $54,000 - $508,000	$16,000 - $508,000	$20,000 - $508,000	$24,000 - $508,000	$24,000 - $508,000
$1 - 2,000	$21,000 - $49,000, $55,000 - $508,000	$21,000 - $508,000	$22,000 - $508,000	$26,000 - $508,000	$26,000 - $508,000
$2,001 - 4,000	$24,000 - $45,000, $58,000 - $507,000	$26,000 - $508,000	$26,000 - $508,000	$28,000 - $508,000	$28,000 - $508,000
$4,001 - 6,000	$26,000 - $37,000, $63,000 - $504,000	$30,000 - $508,000	$30,000 - $508,000	$30,000 - $508,000	$30,000 - $508,000
$6,001 - 8,000	$68,000 - $502,000	$31,000 - $506,000	$31,000 - $506,000	$31,000 - $506,000	$31,000 - $506,000
$8,001 - 10,000	$144,000 - $500,000	$33,000 - $53,000, $59,000 - $503,000	$33,000 - $503,000	$33,000 - $503,000	$33,000 - $503,000
$10,001 - 12,000	$155,000 - $498,000	$34,000 - $45,000, $66,000 - $501,000	$34,000 - $501,000	$34,000 - $501,000	$34,000 - $501,000
$12,001 - 14,000	$168,000 - $495,000	$36,000 - $37,000, $71,000 - $499,000	$36,000 - $57,000, $63,000 - $499,000	$36,000 - $499,000	$36,000 - $499,000
$14,001 - 16,000	$181,000 - $493,000	$149,000 - $496,000	$38,000 - $49,000, $70,000 - $496,000	$38,000 - $496,000	$38,000 - $496,000
$16,001 - 18,000	$194,000 - $491,000	$160,000 - $494,000	$39,000 - $41,000, $75,000 - $494,000	$39,000 - $61,000, $67,000 - $494,000	$39,000 - $61,000, $67,000 - $494,000
$18,001 - 20,000	$207,000 - $488,000	$173,000 - $492,000	$152,000 - $492,000	$41,000 - $53,000, $74,000 - $492,000	$41,000 - $53,000, $74,000 - $492,000
	The five columns above are the range of incomes under which families face tax increases.				

Note:

[1] I assume that all households that are paying $0 for child care and have a child under 5 would claim Trump's deduction and credit for unpaid caretakers because at least one of their children is not yet in school. Further, I conservatively and unrealistically assume that no households claiming his deduction or credit for unpaid caretakers would face a tax increase under his plan.

TABLE 3

Income Ranges of Married Filers with Children Facing a Tax Increase under Trump's Plan[1]

Child care costs	Number of children				
	1	2	3	4	5
$0 if all children in school[2]	-	$37,000 - $54,000	$31,000 - $75,000	$31,000 - $95,000, $108,000 - $203,000	$31,000 - $95,000, $108,000 - $203,000
$1 - 2,000	-	$37,000 - $54,000	$35,000 - $75,000	$35,000 - $95,000, $109,000 - $199,000	$35,000 - $95,000, $109,000 - $199,000
$2,001 - 4,000	-	$38,000 - $54,000	$38,000 - $75,000	$38,000 - $95,000, $110,000 - $196,000	$38,000 - $95,000, $110,000 - $196,000
$4,001 - 6,000	-	$42,000 - $54,000	$42,000 - $75,000	$42,000 - $95,000, $111,000 - $193,000	$42,000 - $95,000, $111,000 - $193,000
$6,001 - 8,000	-	-	$43,000 - $67,000	$43,000 - $87,000	$43,000 - $87,000
$8,001 - 10,000	-	-	$45,000 - $59,000	$45,000 - $79,000	$45,000 - $79,000
$10,001 - 12,000	-	-	-	$47,000 - $71,000	$47,000 - $71,000
$12,001 - 14,000	-	-	-	$49,000 - $63,000	$49,000 - $63,000
$14,001 - 16,000	-	-	-	-	$51,000 - $75,000
$16,001 - 18,000	-	-	-	-	$53,000 - $67,000
$18,001+	-	-	-	-	-

The five columns above are the range of incomes under which families face tax increases.

Notes:

[1]Empty cells mean no families face a tax increase under Trump's plan for the provisions modeled. Some families in these cells still may face a tax increase because of the conservative assumptions used in calculating the income ranges in these tables, which are described below.

[2] I assume that all households that are paying $0 for child care and have a child under 5 would claim Trump's deduction and credit for unpaid caretakers because at least one of their children is not yet in school. Further, I conservatively and unrealistically assume that no households claiming his deduction or credit for unpaid caretakers would face a tax increase under his plan.

TABLE 4

Income Ranges of Single Filers Facing a Tax Increase under Trump's Plan

Number of dependents
0
$180,000-$365,000

These tables are based on a tax calculator that incorporates (where applicable), the tax rates, standard deduction, personal exemptions, personal exemption phase-out, child tax credit (CTC), earned income tax credit (EITC), child and dependent care tax credit (CDCTC), and Trump's proposed deduction and credit for child care costs and for stay-at-home parents and grandparents. They only consider taxpayers claiming the standard deduction. Appendix B summarizes Trump's plan, including my interpretation of parts that are ambiguous.

Based on these tables and Current Population Survey data, I estimate that roughly 8.7 million households would face a tax increase under Trump's plan.[15] As summarized in the following table, the families who would pay more taxes represent roughly one-fifth of households with children and over half of single parents. They include 26 million individuals, 15 million of whom are children.[16] A state-by-state breakdown can be found in Appendix C.

[15] Specifically, I used CPS data for 2014 to estimate how many households (that is, tax filers) fall into the taxpayer categories facing a tax increase in the tables (with all incomes and child care costs adjusted to 2016 dollars). I define "children" as children age 18 and under here and throughout the paper, unless otherwise noted. The state-level estimates are based on pooled CPS data from 2012 through 2014 (with all incomes and child care costs adjusted to 2014 dollars) in order to ensure an adequate sample size in each state.

[16] Of the roughly 26 million adults and children in households facing a tax increase, roughly 15 million are in single parent households, 10 million in married parent households, and 1 million in single households with no children.

TABLE 5

Households Facing a Tax Increase under Trump's Plan

Most Conservative Assumptions

	Number of Households	Percent of Total
All	8,741,000	6%
With Dependent Children	7,946,000	21%
Single parent	5,827,000	51%
Married filing jointly	2,119,000	8%
African-American	1,639,000	32%
Hispanic or Latino	1,796,000	24%
White, non-Hispanic	4,134,000	19%
In a metropolitan area	6,706,000	21%
Rural	1,240,000	23%
Single filers	795,000	1%

These figures should be interpreted as ballpark estimates and not precise calculations of how many households would face a tax increase under Trump's plan. In many respects, they are underestimates. Most notably, they assume no family with a child under age 5 and zero child care costs would face a tax increase, because they would claim Trump's proposed deduction or credit for stay-at-home parents and grandparents—even though it is unclear how this provision would work, and many would not be eligible or would face a tax increase nonetheless. Relaxing this assumption, I estimate that roughly 11.2 million households would face a tax increase under his plan. As summarized below, these households represent roughly 28 percent of families with children and include more than 35 million individuals, 21 million of whom are children.

TABLE 6

Households Facing a Tax Increase under Trump's Plan

Reasonable assumptions[1]

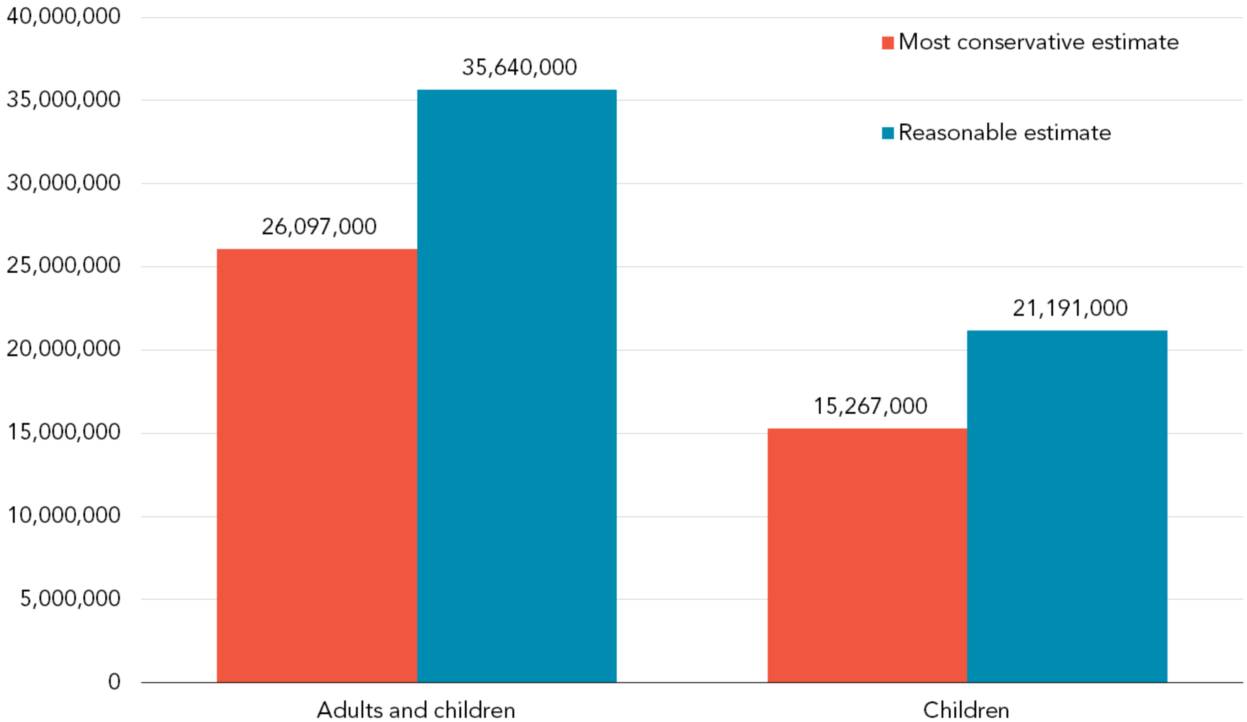
	Number of Households	Percent of Total
All	11,156,000	8%
With Dependent Children	10,361,000	28%
Single parent	7,033,000	61%
Married filing jointly	3,328,000	13%
African-American	2,007,000	40%
Hispanic or Latino	2,463,000	33%
White, non-Hispanic	5,352,000	24%
In a metropolitan area	8,760,000	27%
Rural	1,601,000	29%
Single filers	795,000	1%

Note:

[1]The only difference between this table and Table 5 is that the former assumes that not a single family with a child under age 5 and $0 of child care costs faces a tax increase under Trump's plan because the value of the stay-at-home parent deduction could exceed the tax increase in some cases. This table disregards the stay-at-home deduction because it is unspecified, thereby allowing some such families to face a tax increase.

FIGURE 1

Number of Americans Facing a Tax Increase under Trump's Plan



The estimates are also conservative because:

1. They assume that all taxpayers claim the standard deduction, when only about 70 percent do under current law (IRS 2016). Controlling for income and family structure, itemizers should be more likely to lose under Trump's plan because, among other issues, they have less to gain from his increased standard deduction.[17]

2. They assume that all households in each child care cost band claim tax benefits based on the top amount in that band, allowing them to claim larger benefits under Trump's child-care-related proposals than they could actually claim.[18]

[17] Taxpayers who currently itemize benefit less than non-itemizers from Trump's proposed increase in the standard deduction because they will either (a) keep itemizing, in which case they do not benefit at all from the increase, or (b) switch to the standard deduction, in which case (unlike non-itemizers) they have to give up their itemized deductions.

Trump also proposes capping itemized deductions at $100,000 for single filers and $200,000 for married filers. However, most taxpayers claiming this much itemized deductions are quite wealthy and are therefore likely to receive large tax cuts under Trump's plan.

[18] Put differently, if a household reports paying $5,000 for child care, the estimates assume they claim $6,000 of child care costs for tax purposes because that this the top of the child care cost band in the tables.

3. They assume that all families with child care expenses can deduct the full amount paid, even though he proposes capping the deduction at the average cost of child care for the child's age in the taxpayer's state.[19]

4. By including all families with children age 18 and under, they assume that families with teenagers who have aged out of certain tax benefits, including Trump's proposed child care deduction and credit, can nonetheless claim the full value of those benefits.

5. They assume that two earner married couples each earn the same amount for purposes of determining Trump's proposed child care credit. His credit is capped at 3.825 percent of the lower-earning spouse's earnings so in reality, households with unequal earnings could claim a smaller credit than I assume.

6. They do not include families with more than five children, many of whom would face tax increases.[20]

On the other hand, these estimates could be overestimates in some respects, partially offsetting the conservative assumptions made here. For example:

1. The estimates disregard the alternative minimum tax, which Trump would repeal and which applies to 2.5 percent of households, almost all of whom are high-income (Tax Policy Center 2015b).[21]

2. They only consider individual income taxes. Theoretically, workers should receive some of the benefit of Trump's proposed corporate tax cuts over time, as wages and prices adjust.[22]

3. The estimates also do not include his proposal to establish tax-preferred dependent care savings accounts.[23]

Other rough aspects of these estimates could cut either way. For example, Current Population Survey (CPS) data is not ideal. Among other issues, the CPS does not include data from actual tax returns, but instead relies on self-reported income and expenses.[24] The CPS

[19] Stated differently, the estimates conservatively assume that the proposed cap on eligible child care expenses is non-binding. They do, however, incorporate Trump's proposal to disallow his child care deduction for taxpayers with income over $250,000 for single filers and $500,000 for married filers.
[20] Including families with five children increased the estimated number of families facing a tax increase by only 1.4 percent so including those with more than five children should have a relatively small effect on the estimates.
[21] 87 percent of AMT payers have income over $200,000.
[22] The Congressional Budget Office (2012) and Joint Committee on Taxation (2013) assume that 75 percent of the burden of the corporate tax is borne by capital and 25 percent by labor in the long run.
[23] See discussion of this assumption below.
[24] I did not use public-use IRS microdata because it includes very limited information on child care costs. The CPS income measure I used is the Census Bureau's estimate of AGI, which is intended to capture income after above-the-line deductions and exclusions. I also disregarded these tax benefits when calculating the income ranges in Tables 1 and 2 (although I did include Trump's proposed above-the-line child care deduction). CPS AGI also does not include capital gains income, but it does include other investment

coding of filing status, upon which I rely to classify households' filing status and family structure, also appears to contain errors.[25] Fixing these coding errors could increase or decrease the estimated number of households facing a tax increase under Trump's plan. In addition, the estimates disregard dependents over age 18. Including them could increase or decrease the number of households facing a tax increase.[26] Finally, the estimates assume all income is ordinary and not taxed at the preferential rates for capital gains and dividends or, under Trump's plan, certain passthrough income.[27]

In spite of these simplifying assumptions, the estimates reported here clearly demonstrate that millions of low- and middle-income families (and even some high-income families) would face a tax increase under Trump's plan.

DISCUSSION

The Trump campaign strongly disputed the estimates in an earlier version of this paper (Tankersley 2016). This section responds to their criticisms and summarizes subsequent work by others that support the estimates here.

First, the Trump campaign argued that the estimates in this paper were "invalid" because they do not include Trump's proposal to match contributions to tax-preferred dependent care savings accounts (DCSAs) (Tankersley 2016). Under this proposal, the government would provide a 50 percent match for contributions by low-income parents of up to $1,000 per year, for a total potential match of $500 (Donald J. Trump Campaign 2016a).

Including DCSAs is unlikely to appreciably change the estimates here for several reasons. The proposed match is limited to low-income families (with "low-income" undefined) so including the match would not help middle-income families. As summarized in Tables 2 and 3, most of the families facing a tax increase under Trump's plan are not low-income by most common definitions of that term. In addition, among low-income families eligible for the match, take-up would likely be very low, in part because such families tend to be cash-strapped. For example, in a study where low-income households were offered a 50 percent match for saving in an IRA and given assistance in opening an account, only 14 percent elected to save (Duflo et al. 2007). Even

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income, such as dividends, interest and rents. In 2014, 7.1 percent of all returns reported taxable capital gains, which represented 6.8 percent of all AGI. However, capital gains are highly concentrated and taxable capital gains only represented 1.3 percent of AGI in households with positive AGI under $200,000 (IRS 2016; see Table 1.4, columns 1, 2, 25 and 26).

[25] For example, it codes some households with children as married filing jointly when the head actually appears to be unmarried, and it does not assign a filing status to some households with zero AGI.

[26] Including dependents over age 18 could increase the number of households paying more taxes because they would lose more personal exemptions under Trump's plan. On the other hand, including older dependents could reduce the estimates because some families could claim Trump's proposed deduction for elder care expenses.

[27] Trump's proposals regarding passthrough income are unclear (Gleckman 2016). Passthrough income is highly concentrated among high-income households—the top 1% receives more than half of all passthrough business income (Tax Policy Center 2016b).

The estimates also ignore the additional standard deduction for the elderly and the blind. His plan is silent on this provision so it is unclear if he is proposing to retain it.

if every eligible low-income family actually created a DCSA and contributed $1,000 to it, many would still face a tax increase under Trump's plan because their estimated tax increase (ignoring the DCSA proposal) exceeds $500. Furthermore, the Trump campaign has repeatedly cited and relied upon estimates by the Tax Foundation, which also do not include the DCSA proposal, and has not referred to their estimates as "invalid" (Tankersley 2016).

Second, the Trump campaign argued that the estimates in this paper make "mistaken assumptions on how many taxpayers will itemize their deductions and on how much income taxpayers earn from investments, which could change some calculations for individual filers" (Tankersley 2016). As discussed above, the assumption that all taxpayers claim the standard deduction actually means the estimates here *underestimate* how many families would face a tax increase under Trump's plan. While it is true that this paper assumes all income is ordinary and not capital gains, dividends or interest, this assumption also probably results the estimates here being slight underestimates. Trump's main proposal to change to the taxation of investment income is to repeal the 3.8 percent net investment income tax. This tax only applies to taxpayers with income over $200,000 for single and head of household filers, and $250,000 for married filers. All married families that this paper estimates face a tax increase are below this income level, and 99.4 percent of head of household filers are below this income level (Tax Policy Center 2015a). The small number of filers with income above these thresholds generally receive smaller rate cuts on their investment income (up to 3.8 percent) than on their ordinary income (up to 6.6 percent) under Trump's plan.

Third, the Trump campaign argued that "the analysis does not project gains from additional economic growth that could result from tax cuts" (Tankersley 2016). It is correct that this paper does not incorporate the macroeconomic impacts of Trump's plan. However, these effects are hotly disputed and could be positive or negative.[28] Moreover, many people are interested in the immediate impact of candidates' tax proposals on their tax bills, rather than the theoretical impact on their pre-tax earnings in the long-term.

Finally, the Trump campaign stated that "Trump will instruct the committees writing his plan into law to make sure that it does not raise taxes on any low- or middle-income earners." If this is a priority, it is unclear why Trump has not revised his plan to eliminate its tax increases on low- and middle-income households in the month since the first version of this paper was released. Doing so would be relatively simple but costly. For example, reinstating personal exemptions and head of household filing status would probably eliminate most of the tax increases for individual households, but would increase the cost of his plan by about $2.1 trillion

[28] For example, the Tax Policy Center estimates that Trump's plan would reduce GDP by 0.5 percent by 2026 and by 4.0 percent by 2036. (Nunns et al. 2016). In contrast, the Tax Foundation estimates Trump's plan would increase GDP by between 6.9 percent and 8.2 percent by 2025. (Cole 2016). For a discussion of why the lower range of these estimates is likely to be more accurate, see Stone and Huang (2016).

over the first decade (Nunns et al. 2016). Fully eliminating the tax increases under Trump's plan would potentially be even more costly.[29]

While no other work estimates how many households would owe more taxes under Trump's plan, estimates by others that followed the initial version of this paper further support its findings. Kyle Pomerleau, Director of Federal Projects at the Tax Foundation, wrote that they were able to replicate many of the estimates in this paper and the results seem reasonable (Matthews 2016). The Tax Policy Center does not publish estimates of the number of taxpayers that win and lose under tax plans, but they do estimate the average tax cut or increase for different types of filers. They found that, on average, single parents earning between $20,000 and $200,000 face a tax increase under Trump's plan (Tax Policy Center 2016a). They also estimated that among all households with children, on average those earning between $20,000 and $50,000 owe more taxes under Trump's plan (Tax Policy Center 2016a).

Thus, Trump's plan as currently drafted would clearly increase the tax burden on millions of low- and middle-income Americans.

[29] For example, reinstating personal exemptions and head of household filing status would not address the tax increases on single filers created by the way in which Trump proposes consolidating the tax brackets.

APPENDIX A: TRUMP'S PROPOSALS

According to his campaign website as of October 23, 2016, Trump proposes the following changes to the individual income tax, all of which are included in the calculations in this paper unless otherwise noted (Donald J. Trump Campaign 2016a and 2016c). Readers should note that Trump has changed his proposals numerous times, sometimes reversing them within the same day, so this summary is subject to change (Gleckman 2016).

- Repeal head of household filing status and require unmarried filers with dependents to file as single.
- Repeal personal exemptions for both taxpayers and their dependents.
- Increase the standard deduction from $6,300 to $15,000 for single filers and from $12,600 to $30,000 for married couples filing jointly.
- Replace the tax brackets on ordinary income with the following new structure:[30]

TABLE A-1

Ordinary Rate Brackets under Trump's Plan and Current Law

Trump Plan	Single	Head of Household	Married Filing Jointly
12%	$0 to $37,500	N/A (single filer rates)	$0 to $75,000
25%	$37,500 to $112,500	N/A (single filer rates)	$75,000 to $225,000
33%	$112,500+	N/A (single filer rates)	$225,500+
Current Law	**Single**	**Head of Household**	**Married Filing Jointly**
10%	$0 to $9,275	$0 to $13,250	$0 to $18,550
15%	$9,275 to $37,650	$13,250 to $50,400	$18,550 to $75,300
25%	$37,650 to $91,150	$50,400 to $130,150	$75,300 to $151,900
28%	$91,150 to $190,150	$130,150 to $210,800	$151,900 to $231,450
33%	$190,150 to $413,350	$210,800 to $413,350	$231,450 to $413,350
35%	$413,350 to $415,050	$413,350 to $441,000	$413,350 to $466,950
40%	$415,050+	$441,000+	$466,950+

[30] This income thresholds are for 2016 and would be indexed going forward both under Trump's plan and current law.

- Allow taxpayers to deduct the cost of child and elder care from AGI (i.e., above-the-line) for children under age 13 and elderly dependents. (The calculations in this paper only include children and do not take into account elderly dependents.)
    - The deduction for children would be capped at the average cost of child care for the child's age in the taxpayer's state and could be claimed for no more than four children. The deduction for elderly dependents would be capped at $5,000. (The calculations in this paper disregard these caps.)
    - Single filers with income over $250,000 and married filers with income over $500,000 could not claim the deduction.
- Allow caretakers who are stay-at-home parents or grandparents to claim a deduction.
    - The Trump campaign website states that his proposed child care deduction "would be available to families who use stay-at-home parents or grandparents as well as those who use paid caregivers." It is unclear what that means.
    - This paper conservatively assumes that his plan would allow families who do not pay for child care to claim a deduction equal to the state average child care cost for their child's age if the child is not yet in school (under age 5). This means that families that do not pay for child care could deduct more than families that do pay for child care but pay less than the state average cost.
- Allow taxpayers to claim a refundable credit for child care costs (delivered through the EITC) equal to the lesser of 7.65 percent of child care expenses or 3.825 percent of the earnings of the lesser-earning spouse.
    - The credit for children would be capped at the state average for the child's age and would be limited to four children. (I conservatively disregard these caps.)
    - The credit would be unavailable for single filers with income over $31,200 and married filers with income over $62,400.
- Retain the child and dependent care tax credit (CDCTC).
- While it is not entirely clear how these child care benefits would interact, this paper assumes that taxpayers could elect to take any combination of the new deduction, the new refundable credit, or the CDCTC that is most advantageous to them, provided that they do not claim multiple tax benefits for the same amount of child care spending.[31] In practice, this means

[31] The Trump campaign fact sheet states: "The only restriction would be that the same child care spending cannot be used for multiple benefits programs—no double-dipping" (Donald J. Trump Campaign 2016a). This could be interpreted as limiting taxpayers

that the proposed child care benefits could not make taxpayers worse off: they would get either the same child-care-related tax benefit as under current law, or larger benefits under Trump's plan.

  - For example, the calculations in this paper assume that a taxpayer with two children that spends $6,000 on child care could elect to take the new deduction for $3,000 and the CDCTC for $3,000 (if that produced the best tax result), but they could not claim both a $6,000 deduction and a CDCTC for $6,000 of expenses.

- Provisions not included in the analysis:

  - Allow taxpayers to establish tax-preferred dependent care savings accounts.

  - Repeal the individual AMT.

  - Repeal the net investment income tax and cut tax rates on capital gains and dividends.

  - Cap itemized deductions at $100,000 for single filers and $200,000 for married filing jointly.

  - Tax capital gains on bequeathed assets to the extent the gains exceed $10 million.[32]

to one child-care-related tax benefit, or allowing them to claim multiple such benefits so long as the benefits apply to different portions of their child care spending.

[32] It is unclear whether the tax would apply at death or when the asset is sold. He would also curtail tax preferences for charitable bequests of appreciated property but is unclear how.

APPENDIX B: EXPLANATION OF EXAMPLES

The following examples only include federal income taxes.[33] Some households receive a net income tax refund. In all cases, their payroll tax burden greatly exceeds this income tax refund.

Example #1(a): A single parent with $75,000 in earnings, 2 school-aged children, and no child care costs would face a tax increase of around $2,440.

- Under current law, this family could claim a standard deduction of $9,300 and three personal exemptions of $4,050 each, resulting in taxable income of $53,550. Under the current rate structure for head of household filers, their pre-credit tax liability would be $7,685. They could then claim a $2,000 child tax credit, resulting in a final tax bill of $5,685.

- Under Trump's proposal, this family could claim a standard deduction of $15,000 but would lose their personal exemptions, resulting in taxable income of $60,000. Under Trump's proposed rate structure, they would need to file as an individual and their pre-credit tax liability would be $10,125. They could then claim a $2,000 child tax credit, resulting in a final tax bill of $8,125.

Example #1(b): Even if the family had $8,000 in child care costs and could therefore benefit from Trump's child care proposals, they would still face a tax increase of $1,640.

- Under current law, the calculations would be the same as in Example (1)(a) except the family could claim a child and dependent care credit (CDCTC) of $1,200 (20 percent of up to $6,000 in child care expenses). As a result, their final tax bill would be $4,485.

- Under Trump's proposals, the calculations would be the same as in Example (1)(a) except the family would elect to claim the new deduction for child care instead of the current law CDCTC. Their marginal tax rate would be 25 percent so the deduction would be worth $2,000.[34] As a result, their final tax bill would be $6,125.

Example #2(a): A single parent with $50,000 in earnings, 3 school-aged children, and no child care costs would face a tax increase of around $1,188.

- Under current law, this family could claim a standard deduction of $9,300 and four personal exemptions of $4,050 each, resulting in taxable income of $24,500. Under the current rate structure for head of household filers, their pre-credit tax liability would be $3,012. They could then claim a $3,000 child tax credit, resulting in a final tax bill of $12.

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[33] Following note 5, these calculations are based on 2016 law. Following note 12, they assume that the children are age 16 or under and therefore qualify for the child tax credit. Where the family has child care expenses, they assume the children are age 12 or under and therefore qualify for Trump's proposed child care deduction and credit.
[34] This assumes the average child care cost in the state based on the age of the children is at least $8,000.

- Under Trump's proposal, this family could claim a standard deduction of $15,000 but would lose their personal exemptions, resulting in taxable income of $35,000. Under Trump's proposed rate structure, they would need to file as an individual and their pre-credit tax liability would be $4,200. They could then claim a $3,000 child tax credit, resulting in a final tax bill of $1,200.

Example #2(b): The tax increase would remain the same even if the family had up to $6,000 in child care costs, because the existing child care tax benefit would be better for them than Trump's proposals.

- Under current law, the calculations would be the same as in Example (2)(a) except the family could claim a CDCTC of up to $1,200 (20 percent of up to $6,000 in child care expenses). While the CDCTC is not refundable, the child tax credit is in this case, so they can use it to reduce their income tax liability below zero. As a result, their final net tax refund would be $1,188.

- Under Trump's proposals, the calculations would be the same as in Example (2)(a) except the family would elect to claim a CDCTC of up to $1,200 (20 percent of up to $6,000 in child care expenses) because the new deduction for child care is worth less to them (their marginal tax rate is 12 percent so the deduction is only worth $720). As a result, their final tax bill would be $0 (rather than $1,200 under Trump's plan if they had no child care expenses) and their current law tax refund of $1,188 would be eliminated. This result would hold regardless of whether their children were school-aged.

Example #3(a): A married couple with $50,000 in earnings, 2 school-aged children, and no child care costs would face a tax increase of $148.

- Under current law, this family could claim a standard deduction of $12,600 and four personal exemptions of $4,050 each, resulting in taxable income of $21,200. Under the current rate structure, their pre-credit tax liability would be $2,253. They could then claim a $2,000 child tax credit and a $42 earned income tax credit (EITC), resulting in a final tax bill of $210.

- Under Trump's proposal, this family could claim a standard deduction of $30,000 but would lose their personal exemptions, resulting in taxable income of $20,000. Under Trump's proposed rate structure, their pre-credit tax liability would be $2,400. They could then claim a $2,000 child tax credit and a $42 earned income tax credit (EITC), resulting in a final tax bill of $358.

Example #3(b): If the couple had 4 school-aged children, the tax increase would rise to $1,090.

- Under current law, this family could claim a standard deduction of $12,600 and six personal exemptions of $4,050 each, resulting in taxable income of $13,100. Under the current rate structure, their pre-credit tax liability would be $1,310. They could then claim a $4,000 child tax credit and a $738 earned income tax credit (EITC), resulting in a final net tax refund of $3,428.

- Under Trump's proposal, this family could claim a standard deduction of $30,000 but would lose their personal exemptions, resulting in taxable income of $20,000. Under Trump's proposed rate structure, their pre-credit tax liability would be $2,400. They could then claim a $4,000 child tax credit and a $738 earned income tax credit (EITC), resulting in a smaller final net tax refund of $2,338.

Example #4(a): The Trump campaign website states that a married couple with $50,000 in earnings, 2 children, and $8,000 in child care costs would see its tax bill cut by 35 percent (Donald J. Trump Campaign 2016b). In reality, that family would receive a tax cut of only about $92, or 0.2 percent of their after-tax income.

- Under current law, the calculations would be the same as in Example (3)(a) except the family could claim a child and dependent care credit (CDCTC) of $1,200 (20 percent of up to $6,000 in child care expenses). While the CDCTC is not refundable, the EITC and (in this case) child tax credit are, so they can use them to reduce their income tax liability below zero. As a result, their final net tax refund would be $990.

- Under Trump's proposals, the calculations would be the same as in Example (3)(a) except the family would elect to claim a CDCTC of $1,200 (20 percent of up to $6,000 in child care expenses). While it is unclear whether Trump is proposing that families can take multiple child care tax benefits at the same time, I generously assume that they can do so, provided that they do not claim multiple tax benefits for the same amount of child care spending. In this scenario, the family would elect to claim the new child care deduction for their remaining $2,000 of child care costs, which would be worth $240 because they are in the 12 percent bracket. As a result, their final net tax refund would be $1,082.

Example #4(b): If the family had 3 children, that tax cut becomes a tax increase of nearly $450.

- Under current law, this family could claim a standard deduction of $12,600 and five personal exemptions of $4,050 each, resulting in taxable income of $17,150. Under the current rate structure, their pre-credit tax liability would be $1,715. They could then claim a $3,000 child tax credit, a $738 earned income tax credit (EITC), and a $1,200 CDCTC. While the CDCTC is not refundable, the EITC and (in this case) child tax credit are, so they can use them to reduce their income tax liability below zero. As a result, their final net tax refund would be $3,223.

- Under Trump's proposal, this family could claim a standard deduction of $30,000 but would lose their personal exemptions, resulting in taxable income of $20,000. Under Trump's proposed rate structure, their pre-credit tax liability would be $2,400. They could then claim a $3,000 child tax credit and a $738 earned income tax credit (EITC). As explained in Example 4(a), they would elect to claim a CDCTC of $1,200 and a deduction for child care worth $240 under generous assumptions about what he is proposing. As a result, their final net tax refund would be a smaller $2,778.

TABLE A-2

Households and Individuals Facing a Tax Increase under Trump's Plan

Most conservative assumptions

	Number of Households	Adults and Children	Children
Alabama	126,000	392,000	228,000
Alaska	23,000	67,000	40,000
Arizona	173,000	555,000	334,000
Arkansas	85,000	268,000	157,000
California	1,026,000	3,051,000	1,771,000
Colorado	143,000	428,000	250,000
Connecticut	92,000	267,000	160,000
Delaware	27,000	78,000	45,000
District of Columbia	22,000	45,000	22,000
Florida	508,000	1,477,000	870,000
Georgia	271,000	844,000	504,000
Hawaii	28,000	89,000	55,000
Idaho	48,000	175,000	108,000
Illinois	341,000	1,037,000	610,000
Indiana	204,000	674,000	414,000
Iowa	90,000	296,000	178,000
Kansas	83,000	267,000	163,000
Kentucky	97,000	280,000	165,000
Louisiana	118,000	340,000	206,000
Maine	32,000	92,000	53,000
Maryland	170,000	485,000	286,000
Massachusetts	170,000	469,000	266,000
Michigan	273,000	823,000	483,000
Minnesota	123,000	412,000	255,000
Mississippi	69,000	216,000	132,000
Missouri	156,000	474,000	285,000
Montana	25,000	87,000	54,000
Nebraska	50,000	172,000	104,000
Nevada	90,000	269,000	160,000
New Hampshire	32,000	94,000	55,000
New Jersey	215,000	633,000	378,000

	Number of Households	Adults and Children	Children
New Mexico	51,000	158,000	94,000
New York	553,000	1,515,000	862,000
North Carolina	267,000	778,000	456,000
North Dakota	18,000	56,000	34,000
Ohio	308,000	959,000	570,000
Oklahoma	111,000	352,000	208,000
Oregon	95,000	297,000	179,000
Pennsylvania	314,000	916,000	542,000
Rhode Island	29,000	77,000	44,000
South Carolina	135,000	399,000	242,000
South Dakota	24,000	86,000	52,000
Tennessee	154,000	495,000	294,000
Texas	770,000	2,409,000	1,415,000
Utah	89,000	336,000	205,000
Vermont	17,000	46,000	26,000
Virginia	241,000	672,000	386,000
Washington	190,000	594,000	344,000
West Virginia	45,000	125,000	72,000
Wisconsin	163,000	551,000	344,000
Wyoming	18,000	54,000	31,000

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