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Flip-Flop Or Not, Trump Is Still Right About Taxes

Donald Trump knows how to grab headlines, including over taxes. In August of 2015, he [highlighted the \\$4 billion in IRS refunds to illegals](#). The same month, he suggested he would tax [hedge funds](#) getting away with murder. With his general election focus, he is making some Republicans angry by backpedaling about tax increases for the wealthy. Perhaps he is just sounding like a real politician at last. Besides, he is still more likely to cut waste and to simplify.

Last year, before his tax plan had even taken shape, on Fox & Friends, Trump said, “we have to bring down taxes, but ...before we do anything, simplify it. Make it nice and easy for people to understand, and reduce taxes.” President Trump would surely not follow in the footsteps of [the IRS, encouraging illegals to steal Social Security Numbers](#). Trump says that if he were President, simplifying the tax code would be one of his domestic priorities.



Last year, Trump said, “when they talk about fixing the tax, it’s so complicated, that people have to go and use H&R Block to do a \$50,000 — a man who makes \$50,000 has to spend money.” He is right. Complying with the tax code costs immensely. Individuals spend 6.1 billion hours a year doing their tax filings, the equivalent of a year’s work for 3 million full-time workers. In 1913, our whole tax law was 27 pages. It is now over 4 million words, on 9,000 bloated pages. From 2001-2012 alone, there were 4,600 changes, more than one a day.

Last year in Birmingham, Trump also said, “I think fair tax is okay. And I think flat tax is okay. But, I think the simplest thing to get approved is just the simplification of the existing....and lower taxes.” Trump added that the tax code doesn’t “take care of” the middle class, and he wants to “focus on” and “take care of” the middle class.

He long ago called out hedge fund managers for needing a tax hike. “The hedge fund guys didn’t build this country. These are guys that shift paper around and they get lucky....They make a fortune. They pay no tax. It’s ridiculous, ok?” Trump refers to the carried interest loophole that allows private equity and hedge fund managers pay taxes at capital gains rates instead of ordinary income.

Trump says, “we could take so many of these deductions, these false deductions off...which, by the way, benefit the wealthy.” Until he reveals details, we don’t know which ones will go. But many Fortune 500 companies manage to pay zero tax, and many claim billions worth of tax breaks. Many individuals pay nothing. Many tax giveaways do not even benefit the intended recipients.

For example, the New Markets Tax Credit was meant to create jobs in low income areas. Instead it steered nearly \$1 billion to wealthy investors and Wall Street banks. Research and Development Tax Credits are another perceived abuse. They were meant to encourage mid-sized companies to increase R&D, but 80% went to huge companies like Google, Intel, Boeing, and Apple.

Mr. Trump has said that, “I want to lower the rates for the middle class.” Early on, Trump said, “I think fair tax is okay. And I think flat tax is okay. But, I think the simplest thing to get approved is just the simplification of the existing....and lower taxes.” Later, he released these simple—and low—rates:

Income (Single)	Ordinary Income Rate	Capital Gains Rate
\$0 – \$25,000	\$0	\$0
\$25,000 – \$50,000	10%	0%
\$50,000-\$150,000	20%	15%
\$150,000 and up	25%	20%

Mr. Trump would also cut the corporate tax rate from 35% to 15%, and eliminate the estate tax. But with all these rate cuts, Trump has now said, not so fast. He wants to soften his answers, and even suggested *increases* for wealthy taxpayers. But if Mr. Trump would actually simplify as he promises, wouldn't that be worth it?

For alerts to future tax articles, email me at Wood@WoodLLP.com. This discussion is not legal advice.