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# Mr. Trump, Please Make American Taxes Great Again

After Trump's victory in Indiana and Ted Cruz's exit, groups espousing '[never Trump' may still fight](#) on. Or, perhaps they will relent. Whatever they do, Trump may not need them. Again and again, he has defied all the odds. He won't even release his tax returns. Why should he? Why should he change course when he is winning so handily? Like many Americans, he [is unapologetically aggressive on taxes](#), paying as little as possible. And despite less than one year in politics, he knows how to grab headlines, even [highlighting the \\$4 billion in IRS refunds to illegals](#).

A President Trump would surely not follow in the footsteps of [the IRS, encouraging illegals to steal Social Security Numbers](#). He has said that if he were President, simplifying the tax code would be one of his domestic priorities. One of his first statements about taxes was, "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." He went on to say that, "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."



*(Photo by Ethan Miller/Getty Images)*

He is right, of course. Complying with the tax code is immensely expensive. 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. It not only isn't great, it is embarrassing.

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 decrease taxes in other ways too, including:

- Cutting the corporate tax rate from 35% to 15%; and

- Eliminating the estate tax, since the [Bernie and Hillary 'sensible' estate tax isn't](#) sensible.

Trump wants other reforms too. He has blasted hedge fund managers for not paying their fair share. The carried interest loophole allows private equity and hedge fund managers to pay taxes at capital gain rates. Trump said, “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?” As Trump says, “It is the wrong thing. These guys are getting away with murder.” Hillary Clinton and Senator Bernie Sanders agree.

Trump complains about write-offs too, saying, “we could take so many of these deductions, these false deductions off...which, by the way, benefit the wealthy.” Many Fortune 500 companies pay zero tax. Many claim billions worth of tax breaks. Many individuals pay nothing. Of 145 million personal tax returns in 2011, 54 million (more than a third) had zero tax liability or got refunds. 1,600 people who filed tax returns with incomes of \$1 million or more paid no income taxes.

Mr. Trump is also bothered by the fact that [illegal immigrants get \\$4.2 billion in tax credits](#). He points to a [2011 audit](#) by the Treasury Inspector General for Tax Administration. It confirms that individuals who are not authorized to work in the U.S. were paid \$4.2 billion in refundable credits.

Mr. Trump would help corporate America with a 15% corporate rate. America’s current 35% corporate tax rate is the highest in the developed world. To avoid paying that 35%, big U.S. companies keep their income abroad. U.S. multinational corporations keep trillions of dollars abroad. Americans lose out on all that capital.

Of his own tax returns, Mr. Trump has boasted and complained that they, “would literally probably be 10 feet high if I put them together, it is so complicated and so terrible.” A case in point is the alternative minimum tax or AMT. It is a complex parallel tax system that has grown like cancer. It’s results are hard to predict and can be perverse. If you win a lawsuit and pay contingent legal fees, you can end up taxed on more money than you received. AMT can ruin your stock options too.

Trump has said that he [pays as little as possible in taxes](#). That sounds like Warren Buffett. But at least he seems to recognize that we need a better, simpler, fairer and flatter tax system. A flat tax or simple tax might not be

perfectly fair, and might not improve everything. But is there any way to go but up?

*For alerts to future tax articles, email me at [Wood@WoodLLP.com](mailto:Wood@WoodLLP.com). This discussion is not legal advice.*