Overview of Presidential Candidate Tax Plans

As the date of the 2016 Presidential election gets closer, much attention will be given to the two main candidates' federal tax plans. In addition to such major issues as international and domestic policy, the effect of the candidates' tax plans on the economic growth of the U.S. will be a key decision point for many voters.

At this time, many of the discussions regarding proposed tax policy involve theoretical arguments in lieu of actual detailed provisions. However, based on the information currently available, some of the key provisions that are proposed under the tax plans for each candidate are listed in the subsequent discussion.

Donald Trump

Individual Income Tax and Estate Tax Provisions

- Collapse the current seven tax brackets to three brackets. The three brackets would be 12%, 25%, and 33%. The income level for each bracket will vary depending on filing status.
- The maximum capital gains rate of 20% will not change.
- The 3.8% net investment income tax and the alternative minimum tax will be repealed.
- The standard deduction for joint filers will increase from $12,600 to $30,000. The standard deduction for single filers will be $15,000.
- Itemized deductions will be capped at $200,000 for married-joint filers and $100,000 for single filers.
- Tax "carried interests" at ordinary income rates.
- The estate tax will be eliminated, but capital gains held until death would be subject to tax. The first $10 million would be tax-free to exempt small businesses and family farms.
- Provide favorable childcare cost treatment, including above-the line deductions, exclusions, and tax rebates for childcare expenses.
- Establish tax deductible Dependent Care Savings Accounts (DCSAs) including a governmental match for low-income families.

Business Income Tax Provisions

- Lower the business tax rate from 35% to 15%.
- Eliminate the corporate alternative minimum tax.
- Provide a deemed repatriation tax of corporate profits held offshore at a one-time rate of 10%.
- Companies engaged in manufacturing operations within the U.S. may elect to expense capital investment in lieu of deducting corporate interest expense.

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Hillary Clinton

Individual Income Tax and Estate Tax Provisions

- Enact a 4% surtax on income over $5 million per year.
- Raise rates on capital gains held less than 6 years to between 23.8% and 43.4%. The current capital gains tax rate would only apply to assets held six or more years.
- Limit the tax benefit for certain deductions and exclusions to 28%.
- Implement the “Buffett Rule” which would establish a minimum effective tax rate of 30% for taxpayers earning over $1 million per year.
- Tax “carried interests” at ordinary income rates.
- Limit additional contributions for taxpayers with high balance tax-favored retirement plans.
- Provide tax credits for caregiver expenses for elderly family members and high out-of-pocket health care expenses.
- Increase the top estate tax rate to 65% and lower the estate tax exclusion to $3.5 million.
- Limit basis step-up on inherited assets.

Business Income Tax Provisions

- Corporate income tax rates would remain constant.
- Implement more stringent foreign ownership requirements for “inversion” transactions.
- Implement an “exit tax” on unrepatriated earnings.
- Limit interest expense deductions for U.S. affiliates of multinational companies.
- Eliminate tax incentives for fossil fuels.
- Provide tax credits for businesses that invest in community development and infrastructure and share profits with employees.
- Limit deferral of gain on like-kind exchanges.