

What Trump's victory means for you and your taxes

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The president-elect plans to make some radical changes to your taxes



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Donald Trump [is the president-elect](#). While campaigning, he promised big policy changes in several important areas, including taxes. Some of his tax proposals are fairly radical. But that doesn't mean they won't be enacted, because the Republicans will control both the House and the Senate. Trump's fellow Republicans may be reluctant to oppose the new sheriff in town.

With those thoughts in mind, here are the most important tax changes that Trump championed during the campaign — along with some commentary.

Individual tax rates and capital gains taxes

For individuals, Trump has proposed fewer tax brackets and lower top rates: 12%, 25% and 33% — versus the current rates of 10%, 15%, 25%, 28%, 33%, 35%, and 39.6%. The tax rates on long-term capital gains would be kept at the current 0%, 15% and 20%.

Trump would eliminate head of household filing status. Head of household filing status is for unmarried individuals who have dependents, such as single parents. It has more favorable rate brackets than single filing status so it is more beneficial.

I think there's a good chance that these simplifications will be enacted, but the rate bracket thresholds may be hotly debated as well as the proposed elimination of head of household filing status.

Trump would abolish alternative minimum tax on individual taxpayers. Great idea, and I think it will happen.

On his White House run, Donald Trump pushed back hard against his own party, took on the Democratic establishment, and opted for bluntness over diplomacy — it was an approach that voters in 2016 embraced whole-heartedly.

Estate tax

Trump wants to abolish it, which is a fairly radical proposal. While Democrats will scream, I think it has a good chance of happening. In truth, the estate tax doesn't raise that much revenue, but it certainly does raise fairness questions. The Trump plan would also subject accrued capital gains that are outstanding at death to capital gains tax, but there would be a \$10 million exemption.

Itemized and standard deductions and personal exemptions

The Trump plan would cap itemized deductions at \$200,000 for married joint-filing couples and \$100,000 for unmarried folks. The standard deduction for joint filers would be increased to \$30,000 (up from \$12,700 for 2017 under current law). For unmarried folks, the standard deduction would be increased to \$15,000 (up from \$6,350). The personal and dependent exemption deductions would be eliminated. All this could happen.

Business tax changes

Trump would slash the corporate tax rate from the current 35% to 15%, but eliminate tax deferral on overseas profits. He would allow a one-time 10% tax rate for repatriation of corporate cash that is held overseas. There's a good chance for change here, because there is no question the corporate tax system is broken. That said, I'm not sure we will get the corporate rate all the way down to 15%. Any rate cut will infuriate the Democrats and be hotly opposed.

Trump would apply the same 15% tax rate to business income from sole proprietorships and business income passed through to individuals from S corporations, LLCs, and partnerships. This would be a radical change, and it would seem to cause a large decrease in federal tax revenues. That said, it would probably cause a lot of expansion and new hiring. It will be very interesting to see what happens here.

Without getting very specific, Trump proposes eliminating "most" corporate tax breaks, such as unlimited deductions for interest expense, and a cornucopia of other write-offs and credits that guys like me have criticized as being corporate welfare. But the Trump plan would also allow manufacturing firms to immediately write off their capital investments in lieu of deducting interest expense. All these changes could happen, but corporate lobbyists will go nuts about eliminating any existing breaks. This might be a big test for Trump's claim that he is willing to take on entrenched special interests.

Obamacare taxes

Trump would repeal the Affordable Care Act and the tax increases and employer penalties that it imposed (including the 3.8% Medicare surtax on net investment income). With the horrific Obamacare rate hikes that have been announced for next year in many states, I think this has a great chance of happening. Apparently the Republican House leadership has replacement legislation ready to go. Democrats will scream bloody murder, but it probably won't matter.

How fast could these changes happen?

That is the million dollar question. Basically, anything that reduces taxes on anybody or anything will face stiff opposition from the Democrats. They can attempt to stall things in the Senate where the Republicans won't have a filibuster-proof majority. However, the Republicans can use the same procedural tactics that the Democrats used in 2010 to ram through Obamacare without support from a single Republican. Past experience shows that getting the big stuff done in the first 100 days of a new presidency is often the best strategy, because the opposition is still stunned and disorganized. So we could see major tax changes taking effect as early as next year. Stay tuned. I will keep you posted.