MINNESOTA BUDGET PROJECT
An initiative of the Minnesota Council of Nonprofits

Trump's 2025 tax plans would hurt everyday Americans

In a time when many everyday folks are struggling to make ends meet, the goal of our federal tax decisions should be to move us towards becoming a country in which everyone can thrive. Policies propelling us toward that future include:

- Raising revenues from the wealthiest people and most profitable corporations in order to fund public services everyday people count on and to make investments this country needs; and
- Unleashing the power of the tax code to fight back against income inequality and racial disparities by prioritizing struggling people and families.

Instead, President Donald Trump has outlined many tax proposals that would give the biggest benefits to high-income people and profitable corporations and leave everyone else behind.

Trump tax plans – like extending most provisions of the Tax Cuts and Jobs Act (TCJA) that are set to expire, special tax breaks for people who earn some kinds of income, or new corporate tax cuts – would provide the largest tax cuts to higher-income households and profitable corporations. Because the Trump tax plans are also very costly, they could add hundreds of billions of dollars to the deficit every year and put health care, food support, and other public services that low- and middle-income people benefit from on the chopping block to pay for those tax cuts.[1]

The plans also leave the American people worse off because they will not achieve the promised economic benefits via wage increases and business investment, and family budgets could be harmed by proposed tariffs.[2] Trump's tax plans are expensive, skewed towards the rich, and an ineffective means of improving the economy.[3]

Extending most expiring TCJA provisions prioritizes high-income people

The Tax Cuts and Jobs Act passed in 2017 cut corporate taxes and changed the way business profits are taxed. It also temporarily cut personal income taxes and estate taxes. Many temporary provisions are set to expire at the end of 2025.

Trump's proposal to extend most of the temporary provisions of TCJA will provide the largest benefits to high-income households, while everyday folks would see much smaller tax reductions. According to the Institute on Taxation and Economic Policy, the 20 percent of American households that make $28,600 or less per year would see an average tax cut of $110 from Trump's TCJA-related proposals, and those making $28,600 to $55,100 would see an average tax cut of $510. Meanwhile, the 1 percent highest-income households, making $914,900 or more, would see annual tax cuts averaging $80,680.[4]

Trump has proposed to make permanent the following TCJA components that particularly benefit higher-income people:

- Reducing most of the income tax rates.
- Reducing the effectiveness of the Alternative Minimum Tax (AMT), weakening its purpose of limiting tax breaks for the wealthy.
- Removing the limit on the amount of itemized deductions that high-income households can claim in order to reduce their tax liability.

- Retaining the 20 percent deduction on certain types of pass-through business income, benefiting those with this kind of business income over those who earn their income from wages and salaries. Pass-through businesses, like partnerships or LLCs, do not pay corporate taxes, but pass their profits to their owners or shareholders, who pay personal income taxes on those profits.
- Reducing the value of estates that are subject to estate tax, allowing the largest estates to leave behind millions of dollars of accumulated wealth without it being taxed.

In addition, Trump would provide additional tax cuts for high-income people by allowing the TCJA's $10,000 "SALT" cap to expire. The SALT cap limits how much state and local taxes households can deduct on their federal taxes.

When policymakers enacted the TCJA in 2017, they used a special rule to allow it to pass the Senate without meeting the usual 60 votes needed. The requirements of that special rule did not allow them to make this large of a tax cut fully permanent; policymakers chose to make the corporate tax cuts permanent but the individual income tax provisions temporary. The temporary nature of many of the provisions also resulted in hiding the cost of eventually making them permanent. The initial cost of the TCJA for a 10-year period was estimated to be $1.5 trillion, however extending the temporary provisions would cost $4 trillion.[5] Trump's plans would cost even more with the addition of the SALT cap repeal.[6]

A better approach would be to only extend the portions of the TCJA that apply to the broad majority of Americans but allow those that primarily benefit those with higher incomes to expire.[7]

Exempting certain types of income favors those with higher incomes

Trump has also proposed exempting some kinds of income from taxes, including tips, overtime pay, and Social Security benefits. These proposals are unfair because they provide special treatment for folks simply because they earn certain kinds of income.

And while they may sound like they are focused on folks who struggle to pay the bills, folks with higher incomes would get larger tax cuts from the combined impact of these new exemptions. The richest 5 percent (those with household incomes $360,000 and up) could see an average tax cut of more than $3,600, while households making under $28,600 would see an average tax cut of only $50 and those making $28,600 to $55,100 would see an average tax cut of less than $200.

These types of exemptions would treat households with similar income levels differently based on their occupation.[8] A tip exemption could mean that servers and bartenders would pay less in taxes than workers in other occupations who earn similar incomes, like health care workers or teaching assistants. This type of exemption could also be easily abused by high-income people, like attorneys or fund managers, who receive fees that could be reclassified as overtime or tips.

If the goal is to use tax policy to boost the incomes of folks struggling to get by, a better option is to expand the Child Tax Credit and Earned Income Credit, which are focused on folks with modest incomes, regardless of how they earn it.

An unlimited Social Security exemption also does not target struggling seniors. The lowest-income seniors see no benefit from this provision, because Social Security income is already fully exempt from income taxes for people with provisional incomes less than $25,000 ($32,000 for married couples).[9] Additionally, households with incomes above these levels have either 50 percent or 15 percent of their Social Security benefits exempt from taxation, based on their income level. Any tax cuts from this exemption would be smaller for modest-income households than those with higher incomes.

Enacting more corporate tax rate cuts puts corporations first

While the TCJA extension debate regarding individuals and families is about whether to keep existing tax laws in place, Trump's corporate tax plans would enact more tax cuts for corporations *on top of* the permanent cuts they received in the TCJA.

The corporate tax is a means for profitable corporations to contribute to funding public services through the taxation of a portion of their profits. However, corporations are paying less in taxes due to the TCJA. Passing more corporate tax cuts that go even further than the TCJA will further limit the funding available for public services that Americans and their families rely on.[10]

The federal corporate tax rate was 35 percent until 2017 when the TCJA reduced it to 21 percent. Trump is proposing to reduce the corporate tax rate further to 20 percent, and to 15 percent for companies producing products in the United States.

The 2017 tax cuts for corporations allowed many of the most profitable corporations' effective tax rate – which is the share of corporations' incomes that are paid in taxes – to fall from an average of 22 percent prior to the 2017 tax cuts to less than 13 percent between 2018 and 2021.[11]

Further corporate rate cuts would provide the largest tax cuts to the wealthiest Americans, with people earning less than $29,000 seeing no benefit from these cuts, while the top 1 percent, households with incomes over $915,000, would see a tax cut of over $7,300 on average. Further cuts would just be putting more money into the pockets of the people who benefit from corporate tax cuts -- mainly stockholders who are disproportionately high-income.

These corporate tax cuts also are not likely to produce the proclaimed trickle-down benefits, as evidenced by previous similar laws failing to do so. Trump economic officials boasted that the TCJA would bring about an average increase in household wages of $4,000 per year. However, since implementation of these cuts, 90 percent of workers in companies benefitting from corporate tax cuts saw no increase in income, with only the top 10 percent of earners seeing an increase.[12]

Tariffs would also hurt everyday Americans and the economy

Other elements of Trump's tax plans will likely not contribute to an improved economy and would make it harder for everyday folks to make ends meet. Some of these provisions may even present challenges for businesses, due to the potential major disruptions to the economy.

The relatively small amount of tax cuts that everyday folks could see under Trump's tax plans could be more than swept away by increased prices they would face from tariffs. Tariffs are taxes on imported and exported goods from other countries. If enacted, Trump's sweeping tariff proposals ranging from 20 to 200 percent will be greatly disruptive to the economy.

Consumers, especially low- and middle-income consumers, would see challenges in their household budgets due to price increases. When modeling the impact of 20 percent tariffs on imported goods and 60 percent on goods from China, the Institute on Taxation and Economic Policy estimated that the higher prices that Americans earning under $94,000 would pay would take up roughly 5 percent of their incomes.

While the stated goals of the tariffs may be to shift production to the U.S., they would also raise prices on goods produced by U.S.-based industries that rely heavily on imports of their raw materials.

Public services everyday people rely on would take a huge hit from Trump's tax plans

Trump's tax plan, much like the original TCJA, will be ineffective at boosting the economic well-being of low- and middle-income people. Trump's tax cut plans are expensive and would come at the cost of cutting services that everyday Americans use to thrive, like health care, disability care, child care, housing, education, and food support.[13] Cuts to these services will make it even harder for people with low- and modest-incomes to meet their basic needs.

For example, recently passed Republican budget frameworks call for deeply harmful cuts to services that families and communities rely on for health care, education, and food security. These types of cuts disproportionately impact services that long under-resourced communities rely on, harming Black, Latino, and Indigenous communities, people with disabilities, and individuals and families with low incomes.[14]

These threats to public services are likely to come in two phases. First, in the near term, deep cuts in health care and food support could be used to pay for tax cuts in legislation moving through Congress this year. And in the long term, as the tax cuts add to the federal deficit, some will use the growing deficit as a justification for further cuts to public services.[15]

Federal tax policy should instead prioritize the American people

Instead of tax cuts that give the biggest benefits to those already doing well, federal tax policy should prioritize creating a country where everyone can thrive. This means ending the TCJA tax cuts for people making over $400,000 and instead raising revenues from the wealthiest people and corporations. These actions are needed to protect important existing services like affordable health care via Medicaid and the Affordable Care Act, and ensuring Americans can put food on the table with SNAP.

In addition, we should unleash the power of the tax code to improve the well-being of everyday folks, fight poverty, and advance racial and geographic equity, for example, by making permanent the expansions to the federal Child Tax Credit and Earned Income Tax Credit that were made temporary in 2021. The high-impact expansion of the Child Tax Credit in 2021 provided families with resources for thriving, resulted in record low child poverty, and narrowed racial and geographic disparities in economic well-being. The expansions to the EITC focused on low-income workers without children – the only group of low-income Americans that are made poorer from our current tax laws – and lifted millions of filers without children from deeper poverty.[16]

By Haleigh Sinclair

---

[1] Institute on Taxation and Economic Policy, It's the Revenue Shortfall, Stupid, April 2023.
[2] Tax Foundation, Trump Tariffs: Tracking the Economic Impact of the Trump Trade War, March 2025.
[3] Center on Budget and Policy Priorities, The 2017 Trump Tax Law Was Skewed to the Rich, Expensive, and Failed to Deliver on Its Promises, June 2024.
[4] Except where otherwise noted, all data used in this brief comes from the Institute on Taxation and Economic Policy, A Distributional Analysis of Donald Trump's Tax Plan, October 2024.
[5] Congressional Research Service, Reference Table: Expiring Provisions in the "Tax Cuts and Jobs Act", November 2024.
[6] Institute on Taxation and Economic Policy, Extending Temporary Provisions of the 2017 Trump Tax Law: National and State-by-State Estimates, May 2023.

[7] Center on Budget and Policy Priorities, The 2017 Trump Tax Law Was skewed to the Rich, Expensive, and Failed to Deliver on Its Promises, June 2024.
[8] Institute on Taxation and Economic Policy, Here's a Tip: Keep the Taxation of Tips As-Is, August 2024.
[9] How much Social Security is tax exempt at the state or federal levels depends on a household's *provisional income*, which is their Federal Adjusted Gross Income minus taxable Social Security benefits, then adding some other kinds of income, including nontaxable interest and 50 percent of Social Security benefits. Institute on Taxation and Economic Policy, State Income Tax Subsidies for Seniors, March 2023.
[10] Center on Budget and Policy Priorities, Congress Should Revisit 2017 Tax Law's Trillion-Dollar Corporate Rate Cut in 2025, March 2024.
[11] Institute on Taxation and Economic Policy, Corporate Taxes Before and After the Trump Tax Law, May 2024.
[12] Center for American Progress, The Tax Cuts and Jobs Act Failed To Deliver Promised Benefits, April 2024.
[13] Center on Budget and Policy Priorities, Trump's 2021 Budget Would Cut $1.6 Trillion From Low-Income Programs, March 2020.
[14] Center on Budget and Policy Priorities, 2025 Budget Stakes: Poverty and Hardship Could Rise for Millions, February 2025; and 2025 Budget Stakes: Cuts Would Widen Economic Disparities for Many People of Color, February 2025.
[15] Center on Budget and Policy Priorities, House Republican Budget's $4.5 Trillion Tax Cut Doubles Down on Costly Failures of 2017 Tax Law, February 2025.
[16] Center on Budget and Policy Priorities, Tax Policy to Support Shared Prosperity and Economic Opportunity, November 2024.