**Clinton Will Have to Raise Taxes Even More to ‘Not Add a Penny’ to the Debt**

*The Fiscal Times* - By [Eric Pianin](http://www.thefiscaltimes.com/Authors/P/Eric-Pianin) - October 16, 2016

With growing signs that she will prevail over Republican nominee Donald Trump in the Nov. 8 election, Democratic presidential nominee Hillary Clinton vowed Friday evening that as chief executive she would “not add a penny” to the gross national debt, which currently stands at an historic $19.7 trillion level.

Speaking at a campaign event in Seattle, the former secretary of state described her tax and spending proposals, including a major tax increase on wealthy Americans and high income earners to pay for a plethora of new programs. She compared her plan to Trump’s, which experts say would add trillions of dollars to the long term debt because of massive tax cuts and increased defense spending and border security.

“When people ask me, ‘So how are you going to pay for infrastructure jobs and paid family leave?’ I say, ‘Well, I’m telling you how I’m paying for everything,” she said, as [reported by the *Washington Examiner*](http://www.washingtonexaminer.com/clinton-im-not-going-to-add-a-penny-to-the-national-debt/article/2604619). “I am not going to add a penny to the national debt. We’re going to go where the money is. We’re going to make the wealthy pay their fair share, and we’re finally going to close those corporate loopholes.”

While the long-term debt has received relatively scant attention in a presidential campaign that has become consumed by scathing personal attacks, government watchdog groups and policy analysts say that neither candidate can afford to ignore it any longer.

On Friday, the Obama administration confirmed that for the first time since the aftermath of the Great Recession six years ago, the annual budget deficit rose slightly in fiscal 2016 to $587 billion. The increase was due in part to tax breaks for businesses and individuals that Congress extended in December, according to [*The New York Times*](http://www.nytimes.com/2016/10/15/us/politics/us-deficit-increases-to-587-billion-ending-downward-trend.html), as well as the Treasury’s decision to speed up the payment of government obligations.

The financial statement issued jointly by Treasury Secretary Jack Lew and White House budget director Shaun Donovan also showed increases in spending for veterans’ benefits, Medicare and Medicaid and interest on the burgeoning national debt. The $587 billion deficit for the fiscal year that ended Sept. 30 is equal to 3.2 percent of the Gross Domestic Product, compared with the previous year’s deficit of $438 billion or 2.5 percent of the overall economy.

**A New Era of Mega Deficits**The non-partisan Congressional Budget Office (CBO), which foreshadowed the rise in the deficit in a report last week, has repeatedly warned that the U.S. is headed for deficits of as much as $1 trillion a year in the coming decade. That dire forecast could be averted if dramatic changes in spending policy along with entitlement reform are implemented.

Analysts have warned that the persistent disconnect between rising spending and languishing revenues cannot be sustained indefinitely, as an aging population has begun to drive up demands for Socials Security and Medicare – among the largest obligations in the federal budget -- while interest on a growing debt will drain more and more government resources.

“The era of declining deficits is officially over, with this year’s $587 billion deficit representing almost a 35 percent increase from last year,” Maya MacGuineas, president of the Committee for a Responsible Federal Budget, said in a statement Friday.  “Now that deficits are back on the rise, it’s hard to imagine a more compelling reason for demanding significant reforms to our long-term trajectory.”

Both Clinton and Trump have acknowledged the threat of a return to an era of runaway deficits and debt while promoting nearly diametrically opposite tax and spending policies to spur the economy.

Trump, the billionaire real estate developer, has proposed slashing taxes on individuals and businesses by $6.2 trillion over the next ten years, according to a new analysis by the Tax Policy Center, while boosting spending on defense, border security, infrastructure and paid family leave.

Trump’s advisers, using “dynamic scoring” techniques, argue that the tax cuts would practically pay for themselves by encouraging economic growth over the coming decade, and that other savings could be achieved by repealing the Affordable Care Act. However, a recent report by the Committee for a Responsible Federal Budget projected that Trump’s policies would add $5.3 trillion net to the debt in the coming decade.

Clinton, by contrast, would boost taxes by a net $1.4 trillion over the coming decade, with the top one percent of taxpayers bearing the brunt of the overall increase. She would use the new tax revenue to underwrite the cost of her liberal social agenda, including free college tuition, expanded health benefits, paid family leave, [a child care tax credit for low-income parents](http://www.npr.org/2016/10/11/497570475/new-clinton-child-tax-credit-could-help-low-income-parents-but-cost-200-billion), and highway and bridge construction to assist the middle class and create additional jobs.

Clinton has repeatedly said that she would offset the cost of her ambitious spending policies by “going where the money is” and taxing “the super wealthy.” Her tax plan would target the top 1 percent of taxpayers to pay over 90 percent of the net tax increase.

However, even if Clinton were able to persuade Congress to approve her tax plan, she would still come up short by $200 billion over the coming decade that would be added to the debt, according to the CRFB analysis.

Under Clinton’s approach, the debt would increase from 77 percent of the GDP now to more than 86 percent of the economy by 2026, according to CRFB calculations, while Trump’s would grow the debt to 105 percent of GDP over that same period.

**How America’s $19.6 Trillion Debt Would Rise or Fall Under Trump and Clinton**

*The Fiscal Times* - By [Eric Pianin](http://www.thefiscaltimes.com/Authors/P/Eric-Pianin) - October 12, 2016

A new analysis highlights the sharp divide between Republican Donald Trump and Democrat Hillary Clinton on tax policy, with the two arch rivals prepared to take the tax code in diametrically opposite directions while running the risk of adding considerably to the long-term debt.

Trump, the billionaire real estate developer who admittedly may not have paid any federal taxes in 18 years because of his use of loopholes, would slash taxes by $6.2 trillion over the next 10 years. If his plan were enacted, the Treasury would forgo nearly 15 percent of projected federal revenue over the coming decade and provide nearly half the benefit to the wealthiest one percent of taxpayers, according to [a revised analysis](http://www.taxpolicycenter.org/) of the Tax Policy Center.

Clinton, the former secretary of state, would boost taxes by a net $1.4 trillion over the coming decade, with the top one percent of taxpayers bearing the brunt of the increase. Clinton has embraced billionaire Warren Buffett’s rule that anyone making more than $1 million should have to pay considerably more in federal taxes. Under her approach, the bottom 80 percent of households would receive tax cuts while the top 1 percent would pay over 90 percent of the net tax increase.

The dueling proposals that have been aired and revised over the past several months represent very different approaches and philosophies in attempting to accelerate economic growth and create new jobs. Trump – who greatly scaled back his original proposal in the face of sharp criticism -- is counting on massive tax cuts unrivaled in modern times to spur savings and investment in the tradition of Reagan-era supply-side economics.

He is counting on a combination of future spending cuts and economic growth borne of his fiscal policies to offset much of the cost of the tax cut – what Republicans refer to as “dynamic scoring.” However, the Tax Policy Center analysts used traditional budget scoring that excludes macroeconomic effects in estimating the cost of his plan.

 Clinton, by contrast, would seek a large tax increase over the coming decade – largely imposed on the rich and upper middle class – to underwrite the cost of her social agenda and infrastructure spending. With an eye to the liberal wing of her party, Clinton would spend most of the fresh tax revenues to provide free college tuition, expanded health benefits, paid family leave, [a child care tax credit for low-income parents](http://www.npr.org/2016/10/11/497570475/new-clinton-child-tax-credit-could-help-low-income-parents-but-cost-200-billion), and highway and bridge construction to assist the middle class and create additional jobs.

 “They really couldn’t be more different,” Leonard Burman, director of the joint Tax Policy Center at the Urban Institute and Brookings Institution, told reporters in releasing the revised analysis, according to *The Wall Street Journal*. “In almost every meaningful respect, these plans are mirror images.”

With less than a month before the election, Trump and Clinton are locked in an aggressive bidding war for voter fealty with high-priced domestic and defense spending and tax proposals that some budget experts fear could drive the historic $19.6 trillion publicly held debt much higher in the coming years.

Just last week, the non-partisan Congressional Budget Office confirmed that [the budget deficit is on the rise again](http://www.thefiscaltimes.com/2016/01/19/CBO-Warns-Congressional-Spending-Driving-Deficit) for the first time since the aftermath of the Great Recession.

The deficit for the fiscal year that ended Sept. 30 will total $588 billion, or about a third greater than the deficit from the previous year. The CBO has repeatedly warned that – absent reforms in government spending and entitlement programs -- the country will once again face the specter of $1 trillion a year budget deficits that marked the early years of the Great Recession.

Trump’s plan would add a startling $7.2 trillion to the national debt over the next decade when the cost of interest from borrowing is included, according to the latest Tax Policy Center analysis. Clinton’s plan, in contrast, would trim the debt by $1.6 trillion over the coming decade, including savings on interest payments. But the Tax Policy Center’s analysis didn’t factor in the impact on the debt of Clinton’s ambitious domestic spending policies.

Clinton’s proposals would increase overall government spending by $1.65 trillion over the coming decade, according to the most recent tally of the Committee for a Responsible Federal Budget. That includes $500 billion for spending on college programs and free tuition for many middle-class students; $600 billion for both paid family leave and infrastructure construction, [$200 billion for the child care credit](http://www.npr.org/2016/10/11/497570475/new-clinton-child-tax-credit-could-help-low-income-parents-but-cost-200-billion), and significantly more for new health-related programs.

Assuming she could persuade Congress to raise the full $1.4 trillion in new taxes over the next 10 years to pay for many of her programs, that would still leave $200 billion of costs that would be added to the long-term debt. By contrast, Trump’s proposals, including a major tax cut for individuals and businesses, a build-up of U.S. defenses, a crackdown on illegal immigrants and new infrastructure projects would add $5.3 trillion to the debt in the coming decade, according to the CRFB analysis.

Under Clinton’s approach, the debt would increase from 77 percent of the Gross Domestic Product now to more than 86 percent of the economy by 2026, according to CRFB calculations, while under Trump’s tax plan the debt would grow to 105 percent of GDP over that same period.

Trump’s and Clinton’s tax plans couldn’t be more different.

Under Trump’s approach, households would receive an average tax cut of about $3,000 in 2017, or 4.1 percent of after-tax income. Individuals and families of all income levels would receive a tax cut of some sort, but the wealthiest one percent would see a tax cut of nearly $215,000. That would amount to a 13.5 percent increase in their after-tax income.

Meanwhile, middle-income households would receive a tax cut averaging about $1,000, or 1.8 percent of their after-tax income, while low-income households would get a tax reduction of about $100, providing them with an after-tax income increase of 0.8 percent, according to the Tax Policy Center.

Trump would consolidate the current seven tax brackets into just three – pegged at 12 percent, 25 percent and 33 percent, while combining the current standard deductions and the personal exemption into a single increased standard deduction of $15,000 for individuals and $30,000 for couples. He would also add a new deduction for child and dependent care – an idea promoted by his daughter Ivanka. And he would repeal the alternative minimum tax and the estate tax and cap itemized deductions.

Unlike Clinton, Trump has also proposed a series of tax breaks for businesses and corporations and would set a top tax rate of 15 percent. He would also repeal the corporate AMT and a handful of business tax subsidies and tax the foreign earnings of U.S. multinational firms.

Clinton, by comparison, would raise taxes by an average of about 1.2 percent of after-tax income in 2017, or $800, according to the analysis. However, taxpayers in the top 1 percent bracket would be hit with an average tax increase of 7.4 percent of after-tax income, or $118,000. At the same time, Clinton would cut taxes for low- and middle-income households by an average of about $100. Those people on the lowest economic rung would receive an average tax cut of 0.7 percent while middle-income families would see their after-tax income rise by 0.2 percent.

The study took exception to Trump’s claim during Sunday night’s presidential debate that Clinton is “raising everybody’s taxes massively,” noting that the vast majority of households would be paying roughly the same amount of federal taxes under her plan than they do today.

In addition to the child care tax credit, Clinton has also proposed new tax credits for some household, including those with high medical expenses or that must care for elderly parents.