MarketWatch

These are the differences between Clinton and Trump's tax plans

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Among their many differences, the Republicans and the Democrats have widely divergent ideas about taxes. Here's what the parties and their candidates have said about this topic, which is near and dear to the hearts of many voters.

The Republican party tax platform

The Republican platform states that tax rates that penalize thrift or discourage investment must be lowered, and rules that discourage economic growth must be changed. The platform calls for eliminating unspecified special interest-loopholes while being mindful of the tax burdens that are imposed on families with children and an aging population. That's typical boilerplate stuff.

Specific proposals

More specific proposals include:

- Making the Internal Revenue Code so simple and easy to understand that the IRS can be abolished.
- Removing all marriage penalties from the Tax Code.
- Repealing the Affordable Care Act, and the tax increases that it imposed (such as the 3.8% Medicare surtax on net investment income of higher-income individuals).
- Considering all options to preserve Social Security without tax increases.
- Reducing the corporate tax rate to be level with or below the rates charged by other industrialized nations.
- Adopting a balanced budget amendment that would require a super-majority for tax increases.
- Opposing any carbon tax.

Donald Trump unveils economic policy plans

(2:07)
Republican presidential nominee Donald Trump aimed to cast himself as the only candidate who can deliver economic change in a speech Monday in Detroit. Watch the highlights.

The Trump tax plan

Donald Trump has proposed fewer tax brackets and lower rates for most individuals: 12%, 25% and 33% (versus the current rates of 10%, 15%, 25%, 28%, 33%, 35%, and 39.6%). Rates on long-term capital gains and dividends would be 0%, 15%, and 20%.

He has also pitched a proposal to allow families to deduct child-care expenses, however details are lacking.

Trump would abolish the federal estate tax and the alternative minimum tax.

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Some individual write-offs would be curtailed, but itemized deductions for home mortgage interest and charitable donations would be retained under the current rules.

Trump would cut the corporate tax rate from the current 35% to 15%, but eliminate tax deferral on overseas profits.

The 15% rate would also apply to business income from sole proprietorships and income passed through to individuals from businesses conducted as S corporations, LLCs, and partnerships.

Trump would impose a cap on business interest deductions.

He would repeal the Affordable Care Act and the tax increases that it imposed.

The Democratic party tax platform

The Democrat's tax platform also includes boilerplate stuff, such as closing tax loopholes that benefit millionaires and billionaires and supporting small businesses with tax relief and tax simplification.

Specific proposals

More specific proposals include:

- Taxing some individual income above $250,000 to help fund Social Security.
- Establishing a multimillionaire surtax to ensure that millionaires and billionaires pay their "fair share."
- Restoring "fair taxation" of multimillion dollar estates.
- Expanding the earned income tax credit program for low-wage workers who are not raising children.
- Liberalizing the child tax credit by making more of it refundable (meaning you don't have to actually have a tax liability to collect it).
- Clawing back tax breaks for companies that ship jobs overseas, and cracking down on inversions and other strategies that companies use to "dodge their tax responsibilities."
- Ending tax deferral on foreign business profits.
- Supporting a financial transactions tax to curb "excessive speculation" and high frequency trading.
- Eliminating special tax breaks and subsidies for fossil fuel companies and extending tax incentives that promote energy efficiency and clean energy.
- Repealing the Affordable Care Act's 40% excise tax on high-cost health insurance (not scheduled to take effect until 2020).

The Clinton tax plan

Hillary Clinton proposes higher capital gains taxes to discourage short-term investing. She would install a sliding scale of rates, with shorter-term investments taxed at higher rates than now. The top rate on short-term gains would remain at 43.4% (the current 39.6% maximum individual rate plus the 3.8% Medicare surtax on net investment income). For assets held for more than one year, rates would drop on a sliding scale before reaching the current long-term gain rates after a holding period of more than six years (the current maximum rate on most long-term gains is 20% plus the 3.8% Medicare surtax on net investment income).

The biggest impact would be on assets held for more than one year but not more than two years. Tax rates on gains from those assets would nearly double.

Clinton supports the "Buffett Rule" which would ensure that millionaires don't pay lower effective tax rates than their secretaries and close tax loopholes that benefit the wealthiest taxpayers.

In addition, Clinton advocates a "Fair Share Surcharge" which would impose a 4% surtax on individuals who make more than $5 million per year.

She would ask the wealthiest folks to contribute more to Social Security, including options to tax some of their income above the current Social Security tax cap ($118,500 for 2016).

She would limit the tax benefit from certain itemized deductions to 28% by capping write-offs for upper-income individuals.

Clinton would disallow IRA contributions for individuals who have large IRA balances (so-called mega-IRAs).

She would reduce the federal estate tax exemption to $3.5 million (down from the current $5.45 million) and reduce the lifetime federal gift tax exemption to $1 million (down from the current $5.45 million). She would also increase the federal estate and gift tax rate to 45% (up from the current 40%).

Clinton would establish a 20% caregiver credit to help taxpayers offset up to $6,000 in caregiving costs incurred for elderly family members (for a maximum credit of $1,200).

She would establish a tax credit of up to $5,000 per family for buying health coverage on Affordable Care Act exchanges and liberalize the existing premium tax credit so eligible taxpayers would pay a lower percentage of their income for health coverage.

Clinton would impose a host of new restrictions and tax increases on U.S. companies with foreign operations, impose a "risk fee" on large banks and financial institutions, and end "wasteful tax subsidies" for oil and gas companies.

She would establish a $1,500 apprenticeship tax credit for every new worker that a business trains and hires and a 15% tax credit for employers that share profits with workers.

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