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Trump's $5 Trillion To $11 Trillion Tax Plan: A Boost For Growth Or A Path To Unprecedented Debt?

Story by Kaili Killpack • 22h • 4 min read 3-1-2025

Throughout his campaign and into his second term as president, so far, President **Donald Trump** has outlined ambitious plans for taxes that could reduce federal revenue by $5 trillion to $11.2 trillion over the next decade, according to estimates from the Committee for a Responsible Federal Budget.

This plan would effectively increase the nation's debt by eliminating current or anticipated revenue sources. It includes extending tax cuts from the 2017 Tax Cuts and Jobs Act, and it would also expand deductions and provide targeted tax relief for specific groups. *

Some argue that these tax cuts could spur economic growth, however, critics warn that there are severe fiscal consequences, particularly in regard to rising the national debt.

What Does Trump's Tax Plan Entail?

The tax package, according to the CFRB, includes several major components:

- Extending the 2017 Tax Cuts: The TCJA tax cuts are set to expire in 2025, however under Trump's plan, these would be extended, with an estimated federal revenue reduction of $3.9 trillion to $4.8 trillion.
- State and Local Tax Deduction Relief: Expanding the SALT deduction could cost between $200 billion and $1.2 trillion, depending on the scope of the policy.
- Tax Cuts on Tips, Overtime, and Social Security Benefits: The CFRB estimates eliminating these taxes could total anywhere from $900 billion to $5 trillion, depending on how they are implemented.
- Tax Breaks for Domestic Production: A tax cut aimed at boosting American manufacturing could reduce revenue by $100 billion to $200 billion.
- Closing the Carried Interest Loophole and Limiting Stadium Tax Breaks: While these changes could raise between $20 billion and $100 billion, they only offset a small portion of the proposed cuts.

Totaling the ranges of each estimate brings the fiscal impact of Trump's tax plans to between $5 trillion and $11.2 trillion.

How Would This Impact The Economy?

Those in favor of Trump's tax plans state that reducing taxes could spur economic growth through the encouragement of new investments and job creation. They also point out the benefits that middle-class workers would receive by not having to pay taxes on their tips or overtime earnings.

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However, without offsets, the CRFB estimates that the plan could push the national debt to between 132% and 149% of GDP by 2035, up from approximately 100% currently. This is nearly double or triple the projected growth to 118% under current law. Interest costs alone could rise by $1.2 trillion to $2.7 trillion over the next decade, increasing the risk of a fiscal crisis.

One major concern is the potential impact on programs like Social Security and Medicare. The CRFB warns that tax reductions on Social Security benefits, combined with other revenue losses, could weaken these trust funds. Additionally, broad tax cuts could exacerbate income shifting and tax avoidance, reducing projected revenue even further.

Weighing the Trade-offs

Trump's tax plan presents a clear trade-off between economic stimulus and fiscal responsibility. While tax cuts could provide immediate financial relief and potentially stimulate growth, the long-term impact on national debt and government-funded programs remains a critical consideration.

"Policymakers should scale back and more carefully target their tax agenda and ensure that any tax cuts are part of a package to lower deficits. There are plenty of offsets available. Reconciliation should reduce, not add to, budget deficits," the CRFB warns.

Without offsets or spending reductions, the plan could push federal debt to levels unseen in U.S. history.

As policymakers debate the proposal, the key question remains: Can tax cuts of this magnitude drive enough economic expansion to offset their cost, or will they lead the country toward an unsustainable fiscal path?