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Desperate for Offsetting Tax Revenue, Trump looks to Tax your 401(k) and Remove your deduction for Mortgage Interest

BY TERRENCE J. BRIGGS • SEPTEMBER 15, 2017

Desperate for an accomplishment in this first year of Republican control of the federal government, the Trump administration is floating two ideas that seem on their faces to be non-starters. One, taxing 401(k) contributions when they are contributed, not when they are eventually distributed in retirement, as is the case right now. Two, eliminating the deduction for mortgage interest. Both of these existing rules are of considerable benefit to middle class taxpayers. The new tax receipts would help to fund lower tax rates for business and high income individual taxpayers.

The 401(k) change is bound to excite opposition from the securities industry which has grown rich from the fees generated by the \$5 trillion that Americans have invested in their retirement accounts. Workers are also likely to resist because it means that their contributions will be lower and their earnings also less on the smaller contribution amounts. This change won't mean much to the rich who are likely to be in the same high tax bracket in retirement as they are while they work.

Being able to deduct mortgage interest is as American as apple pie. It supports our holy grail of home ownership by lowering the actual cost of buying a home. No such preference is available for renters.

While neither of these proposals is likely to survive and may not end up being part of the first draft of a tax plan, the GOP's control of both the Congress and the White House makes it possible. Stayed tuned.