



# Trump's Tax Cut Tied to Tariffs Doesn't Add Up

BY RICHARD RUBIN

WASHINGTON—President Trump suggests tariffs can replace income taxes for most Americans. One big problem: The math doesn't work.

Trump has teased the notion of linking his tariffs with major income-tax cuts, floating a huge change in how the government raises revenue and offering voters worried about tariffs a promise of future benefits. This would expand his agenda beyond extending his expiring 2017 tax cuts and ideas such as “no tax on tips,” which will be central parts of a bill being crafted in Congress now.

“When Tariffs cut in, many people’s Income Taxes will be substantially reduced, maybe even completely eliminated,” he said on social media. “Focus will be on people making less than \$200,000 a year.”

Trump’s statements point to a central riddle of his trade agenda—whether the point of higher tariffs is raising money or gaining leverage to strike deals with trading partners. But even if Trump left high tariffs in place, the revenue wouldn’t come close to the amount raised by income taxes for people making under \$200,000.

Republicans are trying to get the president’s tax bill written soon, aiming for a House vote as soon as next month. They hope to finish by July 4, Treasury Secretary Scott Bessent said Monday. The plan will likely extend expiring tax cuts—for all income groups, not just those under \$200,000—and lower taxes even further for targeted groups such as tipped workers and Social Security recipients. That legislation is also expected to reduce spending on Medicaid and federal food assistance.

Trump and Republicans aren’t actually replacing the income tax with tariffs, but in very broad strokes, they are heading in that direction, lowering one and raising the other. Depending how the bill is written, some people could be pushed off the income tax rolls.

“We’re living the realistic version of this,” said Brendan Duke, senior director for federal budget policy at the Center on Budget and Policy Priorities, a progressive group.

Here are four big reasons to be skeptical of claims that tariffs will replace taxes.

## Not enough money

Trump’s current suite of tariffs would generate \$167 billion this year, assuming his Liberation Day levies return in full after a pause ends, according to the Tax Foundation, a conservative group that favors lower tax rates and fewer tax breaks.

That is a huge jump in tariff revenue, one that is causing market and economic ripple effects, and it still wouldn’t be nearly enough to eliminate income taxes on people making below \$200,000. In 2022, the bottom 90% of households—those with adjusted gross incomes below about \$179,000—paid about \$600 billion in individual income taxes.

"This idea has been debunked thoroughly by people on the left, by people on the right, by anyone who can do math," said Erica York, vice president of tax policy at the Tax Foundation.

Trump also argues that tariffs would lead to a surge in domestic investment that would create jobs and revenue.

That is backward, York said, because the negative economic costs of tariffs outweigh any benefits.

### **Tariffs on, tariffs off**

Trump's emphasis on tariffs as a revenue source runs smack into his use of tariffs to get other countries to the negotiating table.

Tariffs that get imposed and then removed or lowered after a trade deal can't be a stable revenue source.

"It's all totally self-contradictory," Duke said.

Bessent said the revenue will depend on what the U.S.'s trading partners want to do.

"If they don't want to lower their tariffs, if they don't want to lower their non-tariff barriers, if they don't want to stop manipulating their currencies, then our tariffs will be higher," he said.

### **Who pays or doesn't**

One important feature of the federal income tax is that tens of millions of households already don't pay it.

In 2022, about 40% of households didn't pay federal income tax, according to the Tax Policy Center. That is because they are retired or disabled or otherwise don't make enough money to exceed the standard deduction.

Many lower-income households actually get net refunds from the income tax.

Tariffs, on the other hand, ultimately apply to anyone who purchases consumer goods. Put another way, swapping income taxes for tariffs means trading a tax that some people pay for a tax that almost everyone does. That shifts the burden toward lower-income households.

### **The spending side**

Trump often says a return to a government financed by tariffs would bring the U.S. back to the period before 1913, when the country amended the Constitution to authorize an income tax.

In that era, tariffs were a major revenue source—but the government was far, far smaller. There was no Medicare, Medicaid, air-traffic control, nuclear weapons or space program.

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