BloombergBusinessweek

Ryan Farther-Reaching Than Romney on Taxes Without Detail

Richard Rubin | August 13, 2012

Representative Paul Ryan, Mitt Romney's choice for vice president, has offered a more far- reaching reshaping of the U.S. tax system than the man at the top of the ticket, while neither candidate has explained how to pay for his plans.

Like Romney, the Wisconsin Republican proposes cutting top tax rates for individuals and corporations in ways that would require eliminating hundreds of billions of dollars a year in tax breaks to avoid increasing the federal budget deficit.

Yet Ryan, 42, goes further than Romney, who would cut individual tax rates by 20 percent, drop the corporate tax rate to 25 percent and eliminate the estate tax and alternative minimum tax. In his 2010 "Roadmap for America's Future," Ryan proposed eliminating taxes on corporate income, estates, dividends, interest and capital gains. He would simplify the individual income tax system into a two-rate structure topping out at 25 percent and impose what is effectively an 8.5 percent value-added tax.

"You could not do that without substantially shifting the tax burden to the middle class and below" and reducing tax burdens on affluent households, said Edward Kleinbard, a tax law professor at the University of Southern California. "Those are just inescapable facts."

No Details

Ryan and Romney, 65, have refused to provide details on what tax breaks they would curtail or eliminate to offset the revenue loss from their rate cuts. Romney has said that he won't cut the share of taxes that the rich pay and that he will reduce taxes for middle-income people.

The Romney campaign has made it clear that it is the former governor of Massachusetts whose plans form the framework of his campaign for president. Yet Ryan's 2010 roadmap, which never was adopted by his own

party or the entire House, where he serves as chairman of the Budget Committee, represents the clearest distillation of his own views -- a vision for a smaller, less intrusive government.

"We want to get Washington out of the business of picking winners and losers," Ryan said on CBS News's "60 Minutes" yesterday. "We want entrepreneurs to have the barriers removed from in front of them so that people can work hard and succeed. We want to turn the American idea back on."

Plans Adjusted

After Republicans took control of the House in the 2010 elections, Ryan adjusted his roadmap for less-specific budgets that the House passed in 2011 and 2012.

Some of the tax details were dropped, including the consumption tax and elimination of taxes on corporate income, capital gains, dividends and interest. Ryan also dropped a feature that would allow taxpayers to keep the current tax code or switch to the simpler system with very few breaks and a proposal to tax employer-sponsored health insurance and give people a refundable tax credit to buy insurance.

In the most recent version, those details would be left to the House Ways and Means Committee. Ryan also serves on that panel, whose chairman is Representative Dave Camp of Michigan.

"In the budgets, it's less detailed, and I think that's a matter of inside congressional political necessity," said Douglas Holtz-Eakin, a former director of the Congressional Budget Office who advised Republican presidential candidate John McCain in 2008. "Camp's never going to give away that prerogative and let Ryan write the plan."

The House voted Aug. 2 to establish a fast-track process for tax reform in 2013, using the principles that Ryan and Ways and Means Republicans included in the budget and leaving the details to Camp's tax-writing committee.

Exemptions Unknown

In a June 8 interview on Bloomberg Television's "Political Capital with Al Hunt," Ryan wouldn't answer specifically when asked about tax breaks for

mortgage interest, retirement savings and charitable contributions. He suggested that high-income taxpayers would face more limits.

"Take away the tax shelters that are uniquely enjoyed by people in the top tax brackets so they can't shelter as much money from taxation," Ryan said yesterday on "60 Minutes."

Budget experts, including former Senator Alan Simpson of Wyoming and former Bill Clinton presidential Chief of Staff Erskine Bowles, the co-chairmen of President Barack Obama's fiscal commission, say there aren't enough tax breaks for high- earners to offset the rate-cut for that group, especially with rates on investment income off the table. Ryan served on the 2010 commission and voted against its recommendations, which included tax increases.

Ryan and Romney

In joining Romney, Ryan is running with a candidate who was the last of the top Republican contenders in this year's primaries to embrace a complete rewrite of the tax code.

While one-time candidates Herman Cain of Georgia, Texas Governor Rick Perry and former House Speaker Newt Gingrich proposed major tax changes such as Cain's "9-9-9" plan and Perry's flat tax, Romney was offering an extension of expiring income tax cuts and a few modest changes.

While other candidates were proposing to eliminate the capital gains tax, Romney stuck with the current 15 percent rate and proposed to eliminate taxes on capital gains, dividends and interest only for households with incomes below $200,000. The preferential tax rate on capital gains and dividends is one of the largest tax breaks for the wealthiest taxpayers.

In February, Romney proposed to cut the tax rate in each individual income bracket by 20 percent, leaving the top rate at 28 percent. He has said his plan would be revenue-neutral and that it wouldn't shift the tax burden away from high-income households. He would eliminate the estate tax and the alternative minimum tax and drop the top corporate tax rate to 25 percent from 35 percent.

Feasibility

Analyses from the Tax Policy Center have questioned the feasibility of achieving all of those goals, and the Romney campaign hasn't offered more specifics on how its numbers would add up or what tax breaks he would eliminate.

Democrats have been citing Ryan's roadmap since Romney named him to the ticket on Aug. 11 and started campaigning with Ryan, attempting to tie Romney to the details.

"If you took Governor Romney's tax returns and applied the changes that Congressman Ryan wanted to make to the tax system, Governor Romney would pay less than 1 percent on his taxes," David Axelrod, an Obama adviser, said on CNN's "State of the Union" yesterday. "We know he paid 13.9 percent. How is that going to strengthen our country, strengthen the economy, help the middle class?"

Ryan, Romney

Under Ryan's plan, the top 1 percent of taxpayers would see their after-tax incomes increase by 19.5 percent, the nonpartisan Tax Policy Center estimated in 2010.

On the same CNN program, Romney adviser Ed Gillespie emphasized that Romney is the one running for president.

In both the roadmap and the House budgets, Ryan has said that the government should collect tax revenue of no more than 19 percent of gross domestic product, and he has said that he is willing to alter his plan to hit that target.

The Tax Policy Center estimated that the roadmap would raise 16.8 percent of GDP, meaning that he would need to scale back the rate cuts or broaden the base more to reach his goal.

The 19 percent target is higher than the post-World War II average, Kleinbard said. It's also a "completely unrealistic" figure that ignores the aging of the U.S. population and the government that Americans expect, he said.

"What we do know paints a very disturbing picture of an America of a very small, super-privileged class and a very large number of Americans who struggle to pay their rent, buy their groceries and get adequate medical care," he said.

Economic Growth

Dan Mitchell, an economist and senior fellow at the libertarian Cato Institute in Washington, said he opposed the consumption tax in Ryan's roadmap because he's concerned that Congress could later raise the rate and bring back the corporate income tax. Without that feature, he said, the Ryan plan, including restraints on government spending, would contribute to economic growth.

In particular, cutting tax rates, eliminating deductions and limiting double taxation of savings and investment would all be beneficial.

"All three of those things are pro-growth," he said.

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