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Romney Rivals Smash Tax Code As He Chisels

By Richard Rubin - Oct 24, 2011

Herman Cain has his 9-9-9 plan. [Rick Perry](#) will unveil his flat tax this week. What separates [Mitt Romney](#) from other Republican presidential contenders is that he doesn't want to scrap the Internal Revenue Code.

While his opponents for the presidency excite the Republican base with dramatic tax proposals, the former Massachusetts governor sticks to an incremental approach. His plan would extend expiring income tax cuts, reduce investment taxes and cut the corporate tax rate. In Romney's view, a tax overhaul is a long-term project, not an Inauguration Day imperative.

"He has a few tax cuts, the typical-type things that Republicans would support at a Chamber of Commerce meeting," said Daniel Mitchell, a senior fellow at the Cato Institute, a [Washington](#) group that supports smaller government. "But the main thing is he's trying to be as innocuous as possible."

Romney's approach to tax policy demonstrates the political difficulties he faces in trying to win the Republican presidential nomination in a year when anti-government, anti-tax sentiment abounds. As his opponents are cheered for talking about tossing out the tax code and eliminating the [Internal Revenue Service](#), Romney is positioning himself for a general-election campaign against President [Barack Obama](#) and a tax agenda that could advance through Congress in early 2013.

'Unrealistic Optics'

"Any president who's going to get [tax reform](#) passed is going to have to avoid wrapping themselves in a panacea, that is a tax model that won't generate the revenue or will simply be based on unrealistic optics," said former Representative Phil English, a Pennsylvania Republican who supports Romney.

A tax code overhaul can only happen with the support of some Democrats, said English, a lobbyist at Arent Fox LLP in Washington. Romney, he said, is making the right choice by avoiding a specific framework for tax changes, which could be picked apart.

"As [Herman Cain](#) has found, when you don't think through every detail, you create an opening for others to criticize you," he said, referring to Cain's 9-9-9 plan, which

includes 9 percent taxes on businesses, sales and income. The proposal has been criticized for shifting the U.S. tax burden toward people with lower incomes.

In an [economic plan](#) released in September, Romney outlined his tax priorities and set an overhaul as a long-range goal.

He wants to eliminate investment taxes for those earning less than \$200,000 a year, reduce the corporate tax rate to 25 percent from 35 percent, and extend the income tax cuts scheduled to expire at the end of 2012. His plan also would repeal the estate tax and move to a territorial tax system that exempts the overseas profits of U.S.-based companies.

Not Impressed

“I guess that would fall under the heading of a great Shania Twain hit: ‘That [don’t impress me much](#),’” said former House Majority Leader Dick Armey, a flat-tax advocate who heads the Tea Party-aligned group FreedomWorks and hasn’t endorsed any candidate.

Others in the Republican field have proposed [tax policy](#) ideas that would change the code more than Romney would. Former Pennsylvania Senator Rick Santorum wants to eliminate corporate taxes for manufacturers.

Former House Speaker [Newt Gingrich](#) has proposed cutting the corporate income tax to 12.5 percent and letting individuals choose an optional 15 percent flat tax. U.S. Representative Ron Paul of [Texas](#) wants to repeal the constitutional amendment that allowed Congress to impose an income tax.

Criticizing Romney

At an Oct. 11 debate sponsored by Bloomberg News and The Washington Post, Gingrich criticized Romney’s decision to cut the [capital gains](#) rate only for people who make less than \$200,000 a year, a threshold lower than Obama’s cutoff for tax increases.

“One of the characteristics of Obama in his class warfare approach has been to talk about going after people who made over \$250,000 a year and divide us,” Gingrich said.

Former Utah Governor Jon Huntsman has proposed eliminating all deductions and credits to drive down the top [tax rate](#) for individuals to 23 percent from 35 percent, along with ending all taxes on capital gains and dividends. U.S. Representative [Michele Bachmann](#) of [Minnesota](#) said during an Oct. 18 debate that she wants to “completely abolish” the tax code.

Lack of Understanding

“Many of the candidates, when they put out tax reform plans, may not really understand the implications of the plans,” said Evan Liddiard, former tax policy adviser to Senator Orrin Hatch, a Utah Republican. “They just know the voters are hungry for a simpler tax code that seems to promise less tax for them and more for the wealthy.”

Flat-tax plans remove tax breaks including the child credit and earned-income credit that benefit millions of families, said Liddiard, a lobbyist at Urban Swirski & Associates in Washington who supports Romney.

The Romney campaign is actively considering what its long-range tax proposal might look like, said policy director Lanhee Chen.

“It’s our intention to pursue fundamental reform,” he said. “It’s just a question of how you do it thoughtfully, how you do it in a way that might not hamper any economic growth.”

Romney’s tax framework would resemble the base-broadening, rate-lowering plan released last year by Obama’s fiscal commission, headed by Democrat Erskine Bowles, a former chief of staff to President [Bill Clinton](#), and Republican [Alan Simpson](#), a former senator from [Wyoming](#). Chen said Romney would adopt that plan’s concepts though not its revenue target, which most congressional Republicans oppose as a tax increase.

Speaking Out

Since Cain released his 9-9-9 plan and Perry announced his intention to back a flat tax, Romney has begun arguing against his opponents’ tax ideas.

During a town hall meeting Oct. 20 at Morningside College in Sioux City, [Iowa](#), Romney warned against the potential burdens that the middle class could face with a move to a flat tax or a national [sales tax](#).

“People say get rid of the charitable contribution deduction, the home mortgage deduction,” he said. “Those things should be pretty dramatic in the changes they would cause. And so before I propose that, we’re going to have a very careful evaluation of what impact they’d have on middle-income Americans and on growth.”

What Could Pass

Chen said the campaign is drafting its tax policies based on what it thinks Congress could pass in early 2013 and wouldn’t damage the economy. Changes in the mortgage interest deduction, he said, might hurt the housing market.

“If you endorse a proposal that results in the complete end to that tax treatment, there are impacts that are going to be felt right away,” he said.

The other Republican candidates describe their proposals for removing deductions and other tax breaks as tools for boosting the economy. Their go-big approach is fueled by hostility against the IRS among Republican voters, the [Cato Institute](#)'s Mitchell said.

“When you have cancer, you don’t want to take out just half of it,” he said. “You want to take out all of it.”