Debunking Democrat myths on GOP tax reform

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The release of the tax reform framework by the Trump administration and congressional leadership is an important step that recognizes the importance of lowering taxes on both business and individuals in order to spur the nation’s lackluster economy.

But this is only one step. The House and Senate must adopt a budget resolution that sets the size of the tax cut over a 10-year period so that the expedited process known as reconciliation can be used to pass it with a simple majority.

This is critical because Democrats are unlikely to be supportive despite the fact that revamping the tax code will benefit their constituents.

Clearly, making changes in the corporate tax system is key to getting a higher level of economic growth, to stimulating increased private investment and to the creation of good-paying jobs.

One of the oft-repeated myths associated with corporate tax reform is that it will benefit large corporations and the wealthy. This myth has been exposed and debunked by two recent studies.

The Heritage Foundation has released a report, "The High Price That American Workers Pay for Corporate Taxes," which clearly shows that workers will benefit from a reduction in the corporate tax rate. Based on a review of the literature, Heritage estimates that labor bears between 70 and 100 percent of the corporate tax burden.

They further state that “the average American household will share the benefits of a corporate rate cut through higher wages.”

This conclusion is supported in another analysis by Andrew Hanson of Marquette University and Ike Brannon of the Cato Institute, who conclude that “a 10-percent decrease in the corporate tax rate” would result in “an increase in employment between 2 and 4 percent, along with a 5-percent gain in wages.”

Over the next several months, the truth behind the myth needs to be conveyed not only to lawmakers casting their votes on tax reform but to the public as well. Any reform, however, must go beyond just reducing rates.

The latest tax reform framework includes a provision that will encourage corporations to repatriate the roughly $2 trillion currently held offshore. As the global economy continues to expand, the current impediments must be removed so that U.S. businesses are positioned to compete.

The framework also seeks to simplify the tax code — which exceeds 74,000 pages — and reduce individual tax brackets from seven to three, while making it possible for individuals to file their taxes on a single page.

This would be a significant accomplishment. A 2013 report by the Tax Foundation cited IRS data showing that compliance cost $165 billion annually. That figure would be higher today.

Democrats are also attacking the framework as another sell out to the wealthy, perpetuating another myth — that the wealthy don't pay their fair share. Yet, as the same Tax Foundation report shows, the "top 1 percent of taxpayers pay a greater share of the income tax burden than the bottom 90 percent combined."

Put another way, 1.4 million taxpayers pay more than 120 million. The top 10 percent pay more than 70 percent of all income taxes while the share paid by the bottom 50 percent has declined to just 2.4 percent.

Even if legislation eliminates the estate (aka "death") tax and the alternative minimum tax, it will still be the case that the top 1 percent and top 10 percent are shouldering a disproportionate share of the individual tax burden.

Opponents need to be forced to explain their definition of fairness and how they square that with whatever tax burden they want to impose on those at the top.

There is a long legislative road to travel in achieving major tax reform, and it will not be easy as the 1986 reform has already shown us. Every deduction has a special constituency, and they will fight to preserve theirs. Congress needs to demonstrate clearly and convincingly that it can do the people's business.