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'9-9-9' Support Pushing 0-0-0

**BYLINE:** By Shawn Zeller, CQ Staff

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Republican presidential candidate Herman Cain took a lot of criticism from his party rivals at a debate last week in Las Vegas over his plan to replace the existing tax code with a "9-9-9 plan," consisting of a flat 9 percent rate for corporate and personal income taxes and a 9 percent national sales tax.

The plan, albeit far-fetched in a politically divided Washington, would implement several longstanding conservative goals: simplify the tax code, eliminate deductions, lower rates and tax consumption instead of savings. But it's not winning many adherents in the conservative advocacy community.

Groups that include the libertarian Cato Institute and the business-focused American Enterprise Institute have criticized the plan, as have business groups that normally side with the GOP on tax issues.

Cato senior fellow Daniel J. Mitchell, for example, says that although he likes some of what Cain proposes, he is skeptical of creating a national sales tax, fearing it would open the door for higher taxes down the road. "Europe's welfare states began their march to fiscal collapse and economic stagnation after they added a version of a national sales tax," Mitchell wrote in a recent policy briefing.

Quin Hillyer, a senior fellow at the Center for Individual Freedom, says the proposal is "brilliant in theory" but in practice "could cause major problems." Specifically, Hillyer argues, the plan is politically unrealistic because it wouldn't raise enough revenue. As a result, it would probably result in much higher rates. "Once federal policy makers have access to both an income tax and a sales tax," he says, "their lust for tax-hiking economic mischief would be almost uncontrollable."

Some business groups, meanwhile, worry that Cain's plan would further depress a struggling economy by taxing consumption. "With two-thirds of our economy dependent on consumer spending, anything that stifles consumer activity would have severe economic consequences," says Katherine Lugar, a spokeswoman for the Retail Industry Leaders Association, a trade group for Wal-Mart and other big-box stores.

And some of the advocates, like many of Cain's critics on the left, worry that the plan would hurt poor people. "This would result in lower cash flow for low-income households, even with payroll tax repeal," says Ryan Ellis, tax policy director of Americans for Tax Reform.

Cain last week revised his plan so it would not raise income taxes on the poor.

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