

# TIME

## Trump Probable Running Mate Mike Pence Hasn't Cut Taxes As Much As You'd Think

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July 14, 2016

His biggest cuts were to corporate rates.

Every two years, the Cato Institute, a libertarian think tank devoted largely to cutting taxes and shrinking government, ranks the nation's governors on their small government bona fides.

The last report came out in 2014. Only four governors got A ratings. Mike Pence, Indiana's governor and Donald Trump's probable vice presidential running mate, was one of them. Pence is a two-fer for the Trump ticket, approved by both social conservatives and fiscal hawks.

On the fiscal front, Pence gets substantial credit as a tax cutter. But he's cut taxes less than you might guess.

On personal rates, his record is mixed: Pence pushed successfully for a repeal of Indiana's inheritance tax. Indiana's income tax rates, though, have seen only a very modest reduction, from 3.4% to 3.3%, and is set to go down another tiny fraction of a point to 3.23% in 2017—not exactly a machete-slash in the tax jungle.

The biggest tax cuts of Pence's tenure have been made not to personal but *corporate* rates, which have been cut from 8.5% to 6.5% and are set to go down further. Cutting corporate taxes to spur growth is the cornerstone of Republican economic policy. In this Pence reflects the national trend; Trump himself has already proposed cutting the national corporate tax rate.

Pence would probably have gone further on personal rates, but has had to contend with a fiscally careful state legislature that is less willing to make dramatic cuts. That has left him taking fairly big credit for relatively small wins, says Andrew Downs, director of the Mike Downs Center for Indiana Politics in Fort Wayne. “He celebrates anything that moves in his direction as a success.” Downs notes that Indiana's governorship is constitutionally weak, forcing its chief executives to be pragmatic and leave much of the budget to the legislature.

In practice, Indiana's governors have had to rely on persuasive powers, which hasn't always worked. This year, Indiana passed major gas and cigarette taxes, which Pence opposed. A fiscal hard-liner—as a Congressman, Pence backed a Constitutional amendment to limit federal spending—Pence has had to govern as a pragmatist.

But Pence's fiscal record may not concern the Trump campaign as much as his political ties. Pence has a long relationship with Charles and David Koch, two of the biggest contributors to Republican causes, who have kept Trump at arm's length. (Pence's spokesman once worked for Koch Industries.) It's natural to see a Pence pick as an effort to get closer to the Kochs and their potential campaign cash. Says Downs, "If you are looking for a candidate who might be able to deliver that money, Mike Pence is a pretty good choice."

It's not clear that even Pence can deliver that because of Trump's protectionist stance on trade, which stands in direct contrast to the Kochs position. Some of Trump's most vehement protests on trade have come in Indiana, in fact: He held up a decision by Carrier to move an air conditioner plant from the state to Mexico as a signal example of the ruinous effects of free trade.

Pence, though, doesn't exactly see it the same way. In fact, as Quartz's Tim Fernholz points out, he's consistently supported every free trade deal that has come his way.

One way to read a Pence choice is as a signal to the Koch brothers and other free trade Republicans that Trump's views on trade might mellow in office. That, though, may be a hard sell. Trump may be getting a running mate who supports free trade, but he's got a whole lot of voters who want to see a wall.