

# Tyler Morning Telegraph

## **GOP's tax reform plan would revive economy**

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House Republicans have put out a proposed tax reform plan, and it's good. It's very good. If implemented in part or as a whole, it could revive the sluggish economy and spur real investment in business infrastructure.

Most news outlets reporting on the plan call it a "tax cut" proposal, but it's more than that. It's a set of rate reforms that will bring in more revenue – because of increased business activity and economic growth.

"House Republicans on Friday unveiled their plan for sweeping tax reform, a key pillar of the Republican agenda for years that is not being discussed much on the campaign trail this year," the Washington Post reports. "The tax proposal is the sixth and final element of a policy agenda rolled out in recent weeks by House Speaker Paul D. Ryan (R-Wis.) in an effort to help House Republicans establish a policy platform independent of their presumptive presidential nominee, Donald Trump."

That last sentencing is fascinating, but let's get to the plan first. It would cut the top personal income tax rate from 40 percent to 33 percent, and establish three tax brackets instead of seven. It would cut the business tax rate from 35 percent (the highest in the developed world) to 20 percent. And it would end the estate tax and alternative minimum tax.

"That would be the single most important thing that the next Congress could do for the U.S. economy," writes Chris Edwards with the Cato Institute. "Corporations build factories, buy equipment, and hire workers to earn after-tax profits. Slashing the marginal tax rate by 15 points would substantially increase the after-tax profits companies could earn on new investments, and they would respond accordingly. More capital investment would mean more job opportunities and higher wages for American workers."

As Ways and Means Chairman Rep. Kevin Brady says, "We think this is a game changer, because we're going all-in for growth and all-in for simplicity."

What are the chances of the plan ever being enacted? That's a valid question, but the answer is complicated. Donald Trump, the presumptive Republican nominee, has endorsed some of the principles behind the reform plan. But he's also endorsed the opposite ideas - higher taxes. So it's impossible to know where Donald Trump stands, at any given moment.

And that's why Ryan's move is strategically sound. If Trump has shown anything consistently, it's that he's not interested in policy. So here is a ready-made tax plan, with scoring and budgetary impact estimates, that Trump can adopt or adapt.

"Ryan has championed major tax reform for years," Edwards points out. "If Donald Trump wins the White House, the GOP could well move swiftly on tax reform early in 2017. Ryan and Brady are smart to put a detailed plan out there now and rally support for bold changes."

After years of painfully slow economic growth and unpredictable tax policies (and enforcement), there's an awful lot of capital out there, waiting on the sidelines. The GOP tax reform plan would encourage investors to put that capital into play again.