



## Rubio Never Shy About Tax Ideas

By Paul C. Barton

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Lacking a seat on the Senate Finance Committee hasn't kept Sen. Marco Rubio, R-Fla., from papering the chamber with tax reform ideas in his first term on Capitol Hill. But it's his proposal to consolidate income tax brackets and bestow a wish list of tax breaks on corporations and investors that promises to be front and center in his 2016 presidential campaign once, as expected, he formally announces it April 13.

Called the Economic Growth and Family Fairness Tax Reform Plan, it was unveiled March 4 by Rubio and Sen. Mike Lee, R-Utah, to largely rave reviews from right-leaning policy mavens. Even some on the left saw it as a serious proposal, though fatally flawed. (Prior coverage .)

Key provisions included:

- Consolidating seven individual brackets into two. The lowest, at 15 percent, would cover incomes up to \$75,000 for individuals and \$150,000 for married couples. Incomes above that would be taxed at 35 percent, down from the current top rate of 39 percent. It would allow itemized deductions only for home mortgage interest and charitable giving.
- Creating an additional child tax credit of \$2,500, while leaving the current \$1,000 credit in place.
- Consolidating corporate taxes into a single 25 percent bracket, down from the current 39 percent, and allowing immediate expensing of capital investments. It would also eliminate taxation of foreign income, moving to a territorial tax system.
- Eliminating double taxation of capital gains and dividend income as well as abolishing the estate tax.

Rubio, in a statement, said the plan is about "triggering economic growth" and "bringing America fully into the opportunities of the 21st century."

## **Proposal Prompts Varying Reactions**

Not long after it was announced, the conservative Heritage Foundation called it "tremendously pro-growth" in its business reforms, and the Tax Foundation, also conservative, described it as a "comprehensive tax plan that combines a number of solidly pro-growth reforms with a major social policy provision [the increased child tax credit]."

Cal Jillson, political scientist at Southern Methodist University, said having a detailed tax plan is vital to a GOP presidential candidate because "taxes are central to the Republican agenda."

Some liberal observers say that in terms of specifics, it far outdistanced the flat tax proposals of fellow Sens. Rand Paul of Kentucky and Ted Cruz of Texas, the first two Republicans to officially announce presidential candidacies. "It's a pretty carefully thought out proposal," Howard Gleckman of the Urban-Brookings Tax Policy Center told Tax Analysts. "It's not just one of those, 'Let's abolish the tax code' kind of things."

Regardless, "there is no question it is still quite regressive," Gleckman said. To cite one example, he said the capital gains benefits would "overwhelmingly benefit higher incomes."

Still another problem, he said, is that it's "terribly expensive." A similar package that Rubio and Lee developed last year was scored at \$2.4 trillion over 10 years. "This plan would surely be even more expensive," Gleckman wrote in a recent analysis. The Tax Foundation has scored it at \$414 billion a year on a static basis but says more dynamic scoring, which takes into account economic growth it would trigger, shows it raising revenue by about \$90 billion a year "in the long run."

Some conservatives, while overjoyed over the business side of the plan, say the money invested in the additional child credit should be used instead to lower marginal tax rates even more. The additional child credit "adds distortions and additional complexity that are not needed," fiscal analyst Chris Edwards of the libertarian Cato Institute said in an interview. "It favors families over individuals. It's not really fair."

Overall, Edwards said, Rubio's package "highlights the divide between social conservatives [who favor expanded child credits] and economic conservatives."

Some prominent Democrats have been quick to blast the entire package. Rep. Debbie Wasserman Schultz, chair of the Democratic National Committee and a fellow Floridian, said Rubio "jumps at the chance to pander to the Republican base" with his plan.

## **Other Recent Tax Projects**

Meanwhile, Rubio has kept himself busy with ideas on other tax issues as well. Just this year he has introduced bills to encourage those who have reached retirement age to seek further employment by exempting them from Social Security taxes; create a simplified "1040SR" tax return form for seniors; award tax credits for donations that fund private elementary and secondary school scholarships for low-income families; and call on the IRS to implement enhanced security measures related to electronic filing. He also sponsored a resolution calling on the IRS to return to giving away free copies of Publication 17, *Your Federal Income Tax*, a guide to preparing income tax returns.

And in 2014, Rubio proposed an alternative to the earned income tax credit that he called "a federal wage enhancement," saying it should apply to childless adults as well as families. He also said it would be better than an increase in the minimum wage, because it wouldn't discourage employers from hiring. Workers would get the enhancement monthly rather than the once-a-year lump sum payments of the EITC program.

Rubio's Senate voting record on tax measures has left most conservative anti-tax and cut-government-spending groups happy, according to their annual ratings. On 16 scorecards issued by such groups from 2011 to 2014, Rubio graded below 90 percent only three times and got two 100 percent grades. Like Paul he voted against the bill that resolved the 2012-2013 fiscal cliff by raising taxes on upper-income Americans while preserving the tax cuts for others passed under President George W. Bush. Rubio also voted against the bill that resolved the standoff over the national debt limit in August 2011.