



## **Cruz's Flat Tax: Ready to Excite Voters or Shopworn?**

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When Sen. Ted Cruz, R-Texas, called for a flat tax in announcing his 2016 presidential candidacy, he followed in the footsteps of the most famous Republican of all, Abraham Lincoln, who signed into law the nation's first income tax in 1861 -- a 3 percent flat tax on all incomes of more than \$800.

Actually, Cruz was following quite a few other notable Republicans as well, since the idea of applying one tax rate to all and eliminating most, if not all, deductions, credits, and exclusions has been a mantra of many conservatives since at least the mid-1990s. "It's part of their catechism," Howard Gleckman of the Urban-Brookings Tax Policy Center told Tax Analysts. "It's a box you have to check."

Among its GOP champions:

- Steve Forbes, 1996 and 2000 presidential candidate;
- former House Majority Leader Dick Armey;
- former Rep. Jack Kemp, the 1996 Republican vice presidential nominee;
- former Sen. Phil Gramm, a 1996 presidential candidate;
- former House Speaker Newt Gingrich, a 2012 presidential candidate;
- former fast-food executive Herman Cain, a 2012 presidential candidate; and
- former Texas Gov. Rick Perry, a 2012 presidential candidate and an expected one in 2016.

Moreover, numerous other Republicans seen as likely to enter the field, including Sens. Rand Paul, R-Ky., and Marco Rubio, R-Fla., and Maryland neurosurgeon Ben Carson, speak favorably of the flat tax.

Even some Democrats have espoused forms of the idea, including California Gov. Jerry Brown, when he was a 1992 presidential candidate, and former House Minority Leader Dick Gephardt in 1995. Gephardt ran for president in 2004, after first running in 1988.

Cruz, meanwhile, sees the flat tax as a means to an end: eliminating the IRS. He's long wanted the agency in the guillotine, but ramped up that call after its targeting of some nonprofit conservative groups was revealed in May 2013. "Instead of a tax code that crushes innovation, that imposes burdens on families struggling to make ends met, imagine a simple flat tax that lets every American fill out his or her taxes on a postcard. Imagine abolishing the IRS," he said during his March 23 announcement in Lynchburg, Virginia. Cruz also said he would allow some exemptions for low-income Americans as well as deductions for home mortgage interest and charitable donations.

But many observers, including those who favor the idea, are disappointed by the lack of any proposal in writing so far. Nothing about the idea is available on his campaign website, tedcruz.org. "I'd like to see details," Chris Edwards of the Cato Institute said.

And Anthony J. Nitti of accounting firm WithumSmith & Brown said Cruz's proposal so far amounts to nothing more than a sound bite -- with the call for eliminating the IRS a "cheap sound bite." He added, "I chuckle when people talk about radically simplifying the tax law."

Some of the missing details, Nitti said, include exactly what the tax would be assessed on. For instance, would businesses be taxed on gross revenue or net income? And how is there going to be any revenue collection at all -- or policing of tax cheating -- without some type of IRS-like agency? In 2013 a Cruz spokesman told the *Dallas Morning News* the senator recognized the need for collecting revenue but that any such agency would be vastly different from the IRS. If that's true, Nitti said, Cruz needs to spell it out, because "all I heard was abolish."

"If he doesn't come forth with a serious plan soon, most people will see through this," Nitti warned.

Further, by promising to allow at least two deductions, Nitti said, Cruz has opened himself up to opposition from numerous other special interests that would want their tax breaks preserved as well. "They didn't get in [the tax code] by accident," he said, adding, "Congress has done nothing over the last century to show" that it is willing to eliminate preferences.

The flat tax has its modern moorings in the 1960s writings of University of Chicago conservative economist Milton Friedman and a 1981 article in *The Wall Street Journal* by Hoover Institution economists Robert Hall and Alvin Rabushka. Since then, think tanks on both the left and right of the policy spectrum have published truckloads of studies either condemning it or praising it.

Gleckman said the flat tax in general, and what Cruz has talked about in particular, would benefit upper-income Americans at the expense of those below them. "It's incredibly regressive," he said. Cruz's plan to protect charitable deductions, Gleckman said, illustrates the bias toward upper incomes. "Seventy-five percent of taxpayers don't itemize," he said.

But Edwards said that by providing more incentives to work and freeing up money for investment, the flat tax could cause economic growth to soar, perhaps by as much as 10 percent over a decade. And most flat tax plans preserve progressivity, he said, by including "a very large family exemption."

Even if the idea fires up some in the Republican base, no flat tax advocate has ever come close to a presidential nomination, much less the White House, which ought to say something about its cachet with voters across the board, critics say. "I don't think it is going to fire up voters across the spectrum," said James Pethokoukis, who tracks public opinion on these matters at the American Enterprise Institute. Polls in general, he said, show "the tax issue doesn't have the bite it used to. They don't think it is that oppressive a burden on them."