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Does Trump's tax reform plan fulfill his campaign promises?

Veronique de Rugy

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As some of the details of President Trump's tax reform plan are released, it is obvious that Trump is absolutely committed to his campaign promise to lowering the corporate income tax rate to 15 percent from its current 35 percent level. The important of this move is significant considering that the United States corporate income tax not only has the higher rate of all OECD countries, but is also extremely punishing.

It is also clear that the administration is not married to the idea of revenue neutrality and making the tax cuts permanent. First, as Steve Forbes rightly reminds us, this idea of making the tax cuts permanent is mostly bogus. Nothing is permanent in Washington.

If we learned anything from 1986, it's that permanent tax cuts can be changed. And if we have learned from the 2003 Bush's 10-year tax cuts is that 90 percent of these tax cuts can be made permanent too.

Now don't get me wrong, I think the concept of permanency of the tax rules is important because markets and investors don't like uncertainty. But in Washington, this notion of permanency is mostly for show. As such, I wish Republicans lobbyists and lawmakers would stop obsessing about it. This is especially true when the obsession about this irrelevant question leads to the support of a destructive border adjustment tax.

Second, the president is right to want to go forward without being constrained by the fake concept of revenue-neutrality. Deficit-neutrality should be the goal, and it should be achieved through spending cuts, economic growth, and ending many deductions, rather than revenue increases.

Again, the notion that a destructive border adjustment tax is necessary to pay for the good tax plan we want is like arguing that it is always a great idea to buy an awesome house in a terrible neighborhood. It's not the case, and yet that's what Speaker Ryan and Chairman Brady have been trying to push down our throats.

Third, experiences around the world have shown that a reduction of the corporate rate pays for itself. As Chris Edwards of the Cato Institute has shown, Canada and England have dramatically cut their rates, and their revenue-to-GDP ratios have stayed about the same. Also, a new paper by Strategas Research Partners shows that the 2003 tax cut paid for itself, and in fact, "the tax cut earned the government $77 billion." Also, we know that the payoff in term of economic growth will be large.

Fourth, I hope the president will use his bully pulpit to explain that the corporate tax is shouldered quite significantly by workers in the form of lower wages. It means that a corporate tax cut shouldn't be perceived as a giveaway to a corporation but as part as the president's plan to help working Americans. Also, we can't overstate the benefits of economic growth for workers and lower-income Americans. So to the extent that lowering the corporate rate triggers economic growth, workers will benefit.

I am also very happy to hear that the president is committed to moving to a territorial tax system. Cross-border taxation is a source of major distortions but also it provides an excuse to the IRS and others to demand serious violation of financial privacy in the name of enforcing our abusive and uncompetitive tax laws.

I am also glad that the administration is dropping the border adjustment tax. That "feature" in the House Republican plan is getting in the way of getting tax reform done. Brady and Ryan have made noise about changing the border tax, but they are still obviously committed to this terrible idea, so we will have to continue to be vigilant.

Now on the individual side. Trump's idea of going from six income tax brackets to three is a good idea, with a reduction in the top rate from 39.5 percent to 35 percent, plus a 25 percent bracket and a 10 percent bracket. He would also change the income levels at which the rates apply, which means some taxpayers could see a tax increase.

Making the top rate apply to a lower level of income, depending on what that level is, could make the income tax code more regressive. But, in my opinion, the individual tax changes are not a priority and may even be a gigantic distraction.

I don't like the family giveaway part of the plan, which creates distortions and no economic growth. That being said, good for the president for getting rid of the AMT, the death tax, state and local tax deductions and a few other deductions. He should also target the mortgage deduction though, or at least cap it.

Finally, the fact that the administration and many Republicans in Congress are not serious about cutting spending, and hence aren't serious about some level of deficit-neutrality, is a tremendous weakness to the whole plan. Gigantic tax cuts are disconcerting if not married with a real commitment to restrain the growth of government spending, in particular when it comes to the so-called entitlement programs.