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Trump and Republican leaders differ on a lower corporate tax rate

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President Donald Trump is set to announce what he's calling a "tax reform and reduction" plan on Wednesday, and the longtime real estate mogul wants to slash the corporate tax rate by 20 percentage points, from 35 percent to 15 percent.

Trump floated the idea of a 15 percent corporate tax rate during the campaign, but Republican leadership in the House of Representatives is proposing a 20 percent rate as part of its tax overhaul plan.

The 5 percentage-point difference might not sound like much, but it amounts to billions in lost revenue that could make it harder for Republicans to overhaul taxes for the first time since Ronald Reagan's presidency.

House Republicans have tried to downplay the significance of the gap between the GOP leadership's proposal and the president's.

"I think the bolder, the better, in tax reform," said House Ways and Means Committee Chairman Kevin Brady, R-Texas. "All these rates, if we're going to go bold, will be a challenge."

"I'm talking about a 20 percent corporate tax across the board; Trump's talking 15," said Rep. Roger Williams, R-Texas, who has introduced [his own tax plan](#).

Even a slight change to the corporate tax rate would have massive impacts for the economy and the federal budget deficit.

The Tax Policy Center, jointly run by the centrist Urban Institute and the center-left Brookings Institution, estimates that Trump's proposed 15 percent rate would reduce federal revenues by [\\$2.4 trillion](#) over the first decade.

"It's hard, really, to psych out what his game is," Tax Policy Center co-director Eric Toder said. "Maybe he's just trying to be very generous to his business supporters and give them a bigger break than House Republicans are offering."

But that bigger corporate tax break could make it harder for House Speaker Paul Ryan, R-Wis., and Brady to meet their target of passing a revenue-neutral tax overhaul by the end of the year. Any tax plan must be revenue-neutral after 10 years in order to require just a simple majority in the Senate to pass, a necessity when Republicans hold only 52 seats.

Chris Edwards of the Cato Institute, a libertarian-leaning think tank, said Trump's desire to win was the guiding factor behind the 15 percent corporate tax rate instead of 20 percent.

“With a federal rate of 20 percent . . . we would be right around the world average,” Edwards said. “Trump said he wants to make America great again and he wants to do one better.”

Edwards supports the effort to lower the corporate tax rate, and he said fewer corporations would avoid taxes and shift their profits abroad if a lower rate were to be enacted. He also thinks a lower corporate rate would unite the Trump White House’s business-leaning and nationalistic wings.

“It fits entirely with Trump’s nationalistic rhetoric, but it’s also a free-market policy,” Edwards said.

Treasury Secretary Steve Mnuchin said earlier this week that a tax overhaul plan would pay for itself through economic growth, but it’s not clear how such a dramatic tax cut would be revenue-neutral.

“I’m convinced that working with the White House we can deliver the most competitive rates in the design of the tax code in a permanent way that grows our economy and gives us the greatest growth for the greatest number of years,” Brady said.

Brady will meet with Mnuchin and Gary Cohn, Trump’s chief economic adviser, ahead of Wednesday’s announcement.

Alexandra Thornton, a senior director of tax policy with the left-leaning Center for American Progress, said the bigger proposed corporate tax cut signaled that Trump was serious about cutting entitlements like Social Security and Medicare to pay for it.

“I’m not sure he’s aware of the challenges of making tax policy changes,” Thornton said. “Even seemingly simple approaches can be very difficult to work out.”

Thornton said there was no chance that Democrats would work with Trump on a tax overhaul, something that happened in 1986, when Democrats sponsored Reagan’s plan.

“I think it’s very difficult if you’re not doing it in a bipartisan way,” Toder said. “It requires very heavy participation by the administration, because you’re not going to have consensus within a single party. Tax reform is going to cause some losers.”

Toder was referring to the border adjustment tax, a proposal by Ryan and Brady to levy a 20 percent tax on imported goods to help make a tax overhaul revenue-neutral. A number of congressional Republicans and conservative interest groups oppose the border tax.

“As a country we should not accept a tax code that favors foreign workers and foreign products over American workers and American products,” Brady said. “The border adjustment provision isn’t just a pay-for, it is about leveling the playing field and taxing all products and services equally.”