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Editorial: Trump's tax reform proposals are a good starting point

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The House of Representatives is about to get to work on tax reform with a Ways and Means committee hearing on May 18. So it's a good time to look at the not-very-detailed proposals from the Trump administration.

"All in all, the Trump proposals push tax reform in a good direction," writes the Cato Institute's Chris Edwards. "Trump, his advisors, and House leaders seem to understand the urgency of passing major tax reforms."

The key is going to be making smart cuts, and not merely cut taxes for the sake of cutting taxes. Smart tax reform would aim to free business capital and encourage investment.

Trump's proposed business tax cuts are solid.

"Cutting the corporate tax rate from 35 percent to 15 percent would have a huge positive effect on the U.S. economy over time," Edwards notes. "It would encourage more capital investment and hiring, and it would reduce the incentive for corporations to avoid and evade taxes. Such a rate cut would cause the income tax base to expand automatically and substantially over time."

Does that mean the business tax cut would pay for itself? No. But growth is vital, and the more reasonable 15 percent tax rate will spark a lot of it.

"Ditching the misguided 'border adjustment' provision the House proposed is a good move," Edwards adds. "Paul Ryan and Kevin Brady need to drop it so that tax reform can move ahead."

Trump's proposals for individual income tax reform are also solid.

"Reducing the number of tax brackets from 7 to 3 (10, 25, and 35 percent) is a good reform," Edwards notes. "Cutting marginal rates reduces distortions, increases incentives to engage in productive activities, and reduces avoidance and evasion."

However, he says, "expanding child care benefits is a mistake. It would add complexity and distortion to what should be a private area of activity in the economy."

It's important to note that tax cuts are not tax reform. Congress has a rare opportunity - and a mandate from voters - to truly reform our abysmal tax system.

"We don't need a short-term fix," writes Ken Fisher in USA Today. "What we really need is a tax code built to outlast partisan storms and political personalities, something people on Main Street and Wall Street can count on long term."

And don't get hung up on the details, adds Fisher, an investment advisor.

“What matters most is defining property rights between government and citizens,” he writes. “That’s what the tax code does. What does the government get? What do people get to keep? What do we get to do with what we keep? Where do we draw the line, and is that line bright and enduring? Having confidence that property rights won’t change enables businesses to make long-term capital expenditures - new plants, new research and development, new equipment, new software.”

Trump’s tax reform proposals are a good starting point. Whatever his skill at leading the House, Speaker Paul Ryan is truly a tax policy expert - this is his opportunity to do something great.