

FITSNEWS

Rick Perry Rolls Out Tax Proposals

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In an attempt to reverse his plunging political fortunes and make himself relevant as a presidential candidate again, Texas Gov. Rick Perry rolled out his “Cut, Balance and Grow” plan on Tuesday – the centerpiece of which is a 20 percent flat tax.

Perry laid out the case for his plan in an **op-ed** published in *The Wall Street Journal*.

“Without significant change quickly, our nation will go the way of some in Europe: mired in debt and unable to pay our bills,” Perry wrote. “President Obama and many in Washington seem unable or unwilling to tackle these issues, either out of fear of alienating the left or because they want Americans to be dependent on big government.”

What does Perry’s plan do?

First, it seeks to get a handle on America’s **trillion dollar deficits** by capping spending at 18 percent of the country’s gross domestic product and imposing a balanced budget amendment. Second, it seeks to address the entitlement spending that’s been fueling those deficits by permitting younger workers to privatize their **Social Security accounts**.

We wholeheartedly support both changes – although we wish Perry would have gone a bit further on spending. Still, his 18 percent cap is better than former Massachusetts Gov. Mitt Romney’s 20 percent cap. And his proposed time frame for balancing the budget – while it would take longer than U.S. Rep. Ron Paul’s plan – is better than the budget reduction proposals rolled out by Congressional Republicans led by U.S. Rep. Paul Ryan.

On taxes, Perry would lower the corporate tax rate to 20 percent from its current effective rate of 34.6 percent. We support this proposal, too. After all, according to a recent study by the **Cato Institute**, only Argentina, Brazil, Chad and Uzbekistan have higher corporate tax rates than America.

The 20 percent flat tax, though, constitutes the meat and potatoes of Perry’s proposal.

According to Perry’s plan – which was formally rolled out Tuesday at a plastics manufacturing firm in Gray Court, S.C. – Americans could choose between their current tax bracket and a 20 percent flat tax.

“This simple 20 percent flat tax will allow Americans to file their taxes on a postcard, saving up to \$483 billion in compliance costs,” Perry wrote. “By eliminating the dozens of carve-outs that make the current code so incomprehensible, we will renew incentives for entrepreneurial risk-taking and investment that creates jobs, inspires Americans to work hard and forms the foundation of a strong economy.”

Perry’s 20 percent flat tax is obviously higher than the 9 percent individual income tax rate included in GOP frontrunner Herman Cain’s **9-9-9 plan**, however Perry would not impose a new national sales tax as part of his plan. And in a nod to critics who have labeled Cain’s plan as regressive, families making \$50,000 or less would not be taxed on that income under Perry’s plan, while families making \$500,000 or less would still be able to claim mortgage interest, charitable and state and local tax exemptions.

According to Daniel J. Mitchell of the Cato Institute, these reforms mean “the income tax will be only a modest burden for households. Most important, at least from an economic perspective, the 20-percent marginal tax rate will be much more conducive to entrepreneurship and hard work, giving people more incentive to create jobs and wealth.”

(Read Mitchell’s analysis of Perry’s plan by [clicking here](#)).

Perry's plan would also eliminate the death tax and capital gains taxes – two of our nation's most notorious forms of double taxation.

"Cut, Balance and Grow strikes a major blow against the Washington-knows-best mindset," Perry wrote. "It takes money from spendthrift bureaucrats and returns it to families. It puts fewer job-killing regulations on employers and more restrictions on politicians. It gives more freedom to Americans to control their own destiny. And just as importantly, the Cut, Balance and Grow plan paves the way for the job creation, balanced budgets and fiscal responsibility we need to get America working again." Not everyone is sold, however ...

In fact, S.C. Democratic Party Chairman Dick Harpootlian blasted Perry for "trotting out all the worn out and discredited economic policies of George W. Bush."

Harpootlian also "welcomed Perry to South Carolina with a new [web video](#) that attempts to portray the Texas governor as outside of the mainstream of American political thought. "Governor Perry's visit to South Carolina showcases the latest in the parade of Republican losers to visit our state. While his positions have been more consistent than Mitt the Flip, he has been consistently wrong," Harpootlian said in [a statement](#).

This website has been among Perry's most aggressive critics since he jumped into the presidential race – and don't get us wrong, the fact that he's rolled out some sensible ideas does nothing to erase his legacy as a big government "Republican" with a history of crony capitalist tendencies.

It's not what politicians offer as candidates that matters ... it's what they do after they're elected, a lesson that South Carolina's Tea Partiers and fiscal conservatives learned the hard way with Gov. Nikki Haley. Having said that, Perry gets credit in our book for not only offering a comprehensive proposal – but one that includes numerous good ideas. Also, it's hard not to see the impact that fiscal conservative Mick Mulvaney – one of Perry's top economic advisors – had on this proposal.

Of course as U.S. Rep. Michele Bachmann said of Cain's plan, the "devil is in the details." Perry's plan will also be receiving tremendous scrutiny in the weeks to come, and it remains to be seen whether it will be able to withstand that white hot gaze.