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PERRY PLAN: YOUR CHOICE ON TAX RATE; Taxpayers in the 10% and 15% brackets could pay at their current levels;

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Perry reignites a political firestorm by revisiting the Obama birthplace controversy. Page A10

Herman Cain electrifies a crowd of thousands at Gulf Greyhound Park in La Marque as the headliner of the Clear Lake Tea Party's rally Tuesday night. Page B2

COLUMBIA, S.C. - Expecting to reinvigorate his flagging presidential campaign, Texas Gov. Rick Perry rolled out a sweeping plan for tax reform before South Carolina voters Tuesday, a plan he said would cut taxes and spending, balance the budget by 2020 and grow jobs and the economy.

With his poll numbers languishing in single digits in early-primary states, including South Carolina, Perry is hoping his "cut, balance, grow" plan will wrench the spotlight from his poor debate performances and from rival Herman Cain's flashy 9-9-9 flat tax plan. Cain now leads several polls.

At the heart of Perry's plan is a 20 percent flat tax on individuals and corporations, well below the top marginal rates of 35 percent. In perhaps its most unusual feature, Perry's plan would allow individual taxpayers to choose whether to pay the flat tax or keep their current income tax rate.

Perry spoke for about half an hour Tuesday morning to a small audience in the warehouse of a Greenville-area plastic-film factory and later in the day at a news conference inside the South Carolina State House in Columbia.

His plan would maintain exemptions for families earning less than \$500,000 a year and increase the standard deduction to \$12,500 per person. It would abolish the estate tax and the capital gains tax and would end the tax on Social Security benefits. It also would lower taxes for businesses while eliminating corporate loopholes.

"Taxes will be cut across all income groups in America," Perry said, "and the net benefit will be more money in Americans' pockets, with greater investment in the private economy instead of the federal government."

Perry's spending plan calls for balancing the federal budget within eight years. His proposal would cap spending at 18 percent of the gross domestic product, freeze federal civilian hiring and salaries, and ban earmarks and any future bailouts. He also called for raising the eligibility age for both Medicare and Social Security.

"America is under a crushing burden of debt. And the president simply offers larger deficits and the politics of class warfare," Perry said.

On Social Security - which he no longer talks of abolishing - Perry offered a five-point reform plan that would allow younger Americans to establish personal retirement accounts for their contributions and allow local and state governments to opt out of the federal program in lieu of their own, but keep benefits intact for current retirees.

He also suggested Medicare and Medicaid reforms, such as giving patients greater flexibility to choose coverage levels, paying benefits according to income levels, and giving states the option to design their own plans that allow Americans on Medicare to receive a payment or a credit for the purchase of health insurance instead of the direct benefits provided through the current program.

"We're going to reform the way we spend money in Washington, so that we balance the budget in eight years," Perry said, "but to truly protect taxpayers, we need the extra protection of a balanced budget amendment to the United States Constitution."

'Unserious'?

Grover Norquist, president of Conservative Americans for Tax Reform, said a key provision of Perry's proposal is his stated goal to cut spending to 18 percent of gross domestic product, which is where Norquist said the tax policy went wrong under George W. Bush. Those sorts of cuts are reasonable and attainable, the anti-tax activist insisted.

Jeffrey Sachs, professor of economics at Columbia University, however, rejected the plan out of hand, calling it "unserious."

"There are enough details to know that this is a plan designed to close down a lot of our government - and indeed, when Governor Perry was asked how he would possibly balance the budget based on this, the first thing he said is that he would cut primary and secondary education," he said.

"This is exactly what this is about - which is, if you don't believe in the role of government, and I don't think Governor Perry does, then no level of taxation is justified, and we should just be cutting brutally," Sachs said. "When he assigns a 18 percent of GNP cap and you do the basic arithmetic for Social Security, Medicare, veterans benefits, interest payments on the debt, the military - you've already absorbed 18 percent and more."

Perry's pick-a-tax plan is a smart political move that can soften some of the traditional criticism of flat-tax proposals, experts said, but the spending and service cuts needed could prove difficult to sell.

"It offers too much dessert and not enough spinach," said Ted Gayer, senior fellow and co-director of Economic Studies at the left-leaning Brookings Institution. "Lower individual and corporate tax rates are good for economic growth, but these levels are only achievable with substantial cuts in spending."

Gayer said that with Congressional Budget Office projections showing government spending climbing to 26 percent of the U.S. gross domestic product by 2021 and 34 percent by 2035, Perry needs to show how he can cut spending enough to make his plan work.

"It absolutely would require huge cuts, and, presumably, those would come out of services," Rice University political scientist Paul Brace said. "The basic idea of balancing the budget, most people think is a great idea. It's when you start detailing how you're going to do it that you stir up opposition."

Windfall for the rich?

Brace said Perry's proposed 20 percent rate is a windfall for the rich.

"Who does Perry want to appeal to? I think the monied side of the spectrum, the tea party and the ideological right. There's a lot of red meat here for all of them."

Daniel J. Mitchell, a flat-tax advocate and senior fellow at the limited-government **Cato Institute**, wrote on the institute's blog that Perry had "some missing homework" but headlined his plan as deserving "a solid B+."

"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," Mitchell wrote.

He said the plan falls "a bit short" of a pure flat tax because it retains deductions for charitable contributions, home mortgage interest and state and local taxes for those earning less than \$500,000 annually.

Perry's plan - and Perry himself - received a thumbs-up from his audiences in South Carolina, a key Southern state for his election strategy.

"I was leaning toward him," said Nan Armstrong, a retiree from Hickory Tavern, S.C., "because I liked George Bush. Now I really like Perry."

Elaine Cooper was not impressed.

"In South Carolina only 9 percent support him," said the retired public broadcasting video editor, who was taking a break outside the Capitol where she is coordinating food donations for Occupy Columbia. "What do we understand about the flat tax? That Wal-Mart and big corporations will pay the same tax as a struggling family of three. That's the most ridiculous thing I've ever heard."

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