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JOURNAL SENTINEL

Obama very close on Gingrich tax plan

January 1, 2012 Sunday

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President Barack Obama's campaign managers spoke the language of the Occupy Wall Street movement recently when they took aim at the tax plan introduced by Republican candidate Newt Gingrich.

"Speaker Gingrich supports the Republican budget plan that would provide more tax breaks to millionaires, billionaires and large corporations and make the middle class foot the bill," Obama spokesman Ben LaBolt said Dec. 20 in a conference call with New Hampshire reporters.

"Fifty percent of Speaker Gingrich's tax plan goes to the top 1%," La-Bolt said. (We're following our practice of attributing this claim to Obama because LaBolt was acting as a spokesman for the campaign, not speaking on his own.) Gingrich's tax plan would cut the corporate income tax in half and would introduce a 15% flat tax option for all taxpayers.

But would 50% of the benefits really go to the top 1% of income earners? To find the answer, the Obama campaign's press office pointed us to the Tax Policy Center, a nonpartisan research group in Washington that recently issued a report analyzing the Gingrich tax plan.

The Tax Policy Center, which also has evaluated proposals by Rick Perry and Herman Cain, among others, concluded that Gingrich's plan would reduce total U. S. tax revenues by as much as 35% by 2015, the first full year the plan could be implemented. But analysts made a number of assumptions to reach these figures.

First, the report assumed that those U. S.

taxpayers who would see lower tax bills under Gingrich's flat tax option, about 70% of taxpayers, would enroll in the plan.

Also, the report assumes that tax policies currently in place, including the Bush-era tax cuts, will be extended at least through 2015. That's based on the predictions of most analysts, who expect Congress to continue extending them. (The center's calculations do not, however, include the current payroll tax cut, which Gingrich has said he would phase out.) It's this second assumption that is key to the Obama administration's 50% figure.

If the Bush cuts and other current tax policies are allowed to expire, then the Gingrich plan would cut tax revenues by about $1.3 trillion in 2015, and the top 1% of income earners would receive 41.6% of those savings, paying an average of $422,298 less in taxes.

Under these parameters, the bottom 20% of income earners would take in 1% of the total savings, paying an average of $289 less, according to the center's calculations.

Assuming, however, that the current tax policies continue, as most analysts suggest, the Gingrich plan would cut tax revenues by about $850 million by 2015, and about half of those savings would fall to the top 1%, the report concludes.

Under the plan, the top earners would pay an average of $340,203 less in tax under Gingrich's plan, making up 50.1% of the total tax cuts. By contrast, the lowest 20% of income earners would pay an average of $63 less, making up less than 1% of the total savings.

"The wealthy get far and away the biggest benefits" of the Gingrich plan, said Roberton Williams, an analyst at the Tax Policy Center.

To this point, Chris Edwards, tax policy director at the libertarian Cato Institute, notes that many such tax reform plans appear to benefit the wealthiest Americans because they are already paying taxes at a much higher rate.

Currently, the top 1% of income earners are paying tax rates as high as 35%. The average federal rate for that group is 29.8%. Under Gingrich's plan, it would fall to 12.8%, according to the Tax Policy Center report.

The average federal tax rate for the lowest 20% of income earners would fall from 2% to 1.4%.

Edwards said that would correct the current disparity that makes the wealthy shoulder too large a tax burden.

"Even with the Gingrich cut, the people at the top end are still going to be paying substantially higher rates." The benefits to the country's top earners don't stop with the tax rate, however, Williams points out.

Among other elements of the tax plan, Gingrich also proposes to eliminate taxes on capital gains, dividends and interest, among others. He says they are "the winners" of the Gingrich plan. Representatives from the Gingrich campaign didn't return requests for comment. But, campaign staff told CNN Money that the Tax Policy Center analysis didn't take into consideration the economic growth likely to result from the tax plan. They said the tax plan is part of a larger 10-year plan to balance the federal budget.

Williams, of the Tax Policy Center, acknowledged that his analysis does not factor in economic growth, because that is difficult to calculate, he said. But, with the loss of $850 billion in tax revenue, the economy would have to grow at an extreme and unlikely rate to make up the losses, Williams said.

"Economists generally agree that cutting taxes and making them flatter will improve economic growth.

The question we disagree on is how much faster it will grow," he said.

"It's hard to see how the economy will grow fast enough to make up all the revenue losses." Our conclusion The Obama campaign said "50% of Speaker Gingrich's tax plan goes to the top 1%." The analysis of the nonpartisan Tax Policy Center backs up that claim - as long as current tax policies continue, which is what most analysts expect. As long as they are, the country's wealthiest 1% would indeed receive about half of the savings under Gingrich's plan.

Still, the share would fall to 41.6% if the Bush cuts and other current tax policies are allowed to expire. That isn't likely to happen, but Congress will have to act to extend them. So we rate the Obama campaign's claim Mostly True.

Jake Berry is a reporter for PolitiFact.com. The Journal Sentinel's PolitiFact Wisconsin is part of the PolitiFact network. We will occasionally run national items. With the Iowa caucuses approaching, we are focusing on items related to the Republican presidential primary. TAXES President Barack Obama, Democrat THE STATEMENT "Fifty percent of Speaker Gingrich's tax plan goes to the top 1%." THE VERDICT Yes, if Bush tax cuts are extended. CHECK OUR SOURCES To see the sources used in reporting this item and review links to related documents and articles, go to politifact.com.

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