Jeb Bush proposes slashing tax rates

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Jeb Bush, the former Republican Florida governor, has unveiled tax reform proposals aimed at boosting economic growth by cutting the number of income tax bands, eliminating loopholes and lowering the US corporate tax rate from 35 per cent to 20 per cent.

Mr Bush wants to simplify the code by streamlining the number of tax brackets from seven to three, and cutting the highest personal tax rate from just under 40 per cent to 28 per cent, returning it to a level not seen since 1986 when Ronald Reagan was president. He vowed to abolish loopholes that allow wealthy people and special interest groups to avoid taxes.
"The tax code is a labyrinth littered with thousands of special interest giveaways, subsidies and other breaks written to favour Washington insiders," Mr Bush wrote in the Wall Street Journal ahead of announcing his plan in South Carolina.

In addition to cutting the headline corporate tax rate to 20 per cent, which he pointed out was five points lower than the corresponding rate in China, Mr Bush said he would tackle "inversions" — where US companies allow themselves to be bought by smaller companies overseas to reduce their US tax bill — by ending the worldwide taxation of US businesses. He said he would also impose a one-time tax of 8.75 per cent on the $2tn in profits that US companies hold overseas to avoid paying taxes back home.

US companies regularly complain that the 35 per cent corporate tax rate is the highest in the world, although rates paid by many big businesses are in practice much lower due to their tax planning. Members of both parties have criticised companies for abandoning the US, and Mr Bush said his plan to cut the rate would "stop American companies from moving out of the country".

Tax reform is a perennial theme in US elections. In Washington, Republicans and Democrats, including President Barack Obama, agree that the complex US tax system is "broken". But efforts to change the tax law in Congress have been consistently stifled by disagreement over what elements need fixing. One of the big divisions between the two parties on tax is that any changes that raise more revenue for the US government are anathema to Republicans, but popular with many Democrats.

Dan Mitchell, a tax expert at the Cato Institute, a libertarian think-tank, said Mr Bush's plan was a "big supply-side tax cut . . . that in effect says 'we want to make government smaller and less costly to people'." But he noted that Mr Bush had as yet said little about his spending plans. "The question is, does he have the spending restraint to match [the tax cuts]?"

The candidate's brother, President George W Bush, was regarded as a big spender by some Republicans during his time in the White House, although tax cuts in 2001 and 2003 were central to his economic agenda.

Jeb Bush took aim at his brother on the Late Show with Stephen Colbert on Tuesday, saying the former president should have "brought the hammer down on the Republicans when they were spending way too much". On the campaign trail, he likes to remind people that one of his nicknames in Florida was "Veto Corleone" for his penchant to slash budgets.

Conservatives were leery of the 2001 measures pushed by George W Bush, which included tax cuts for the middle class, but happier with 2003 moves to lower rates on capital gains and dividends. George W Bush's tax cuts came with an expiration date but were extended for two years in 2010. They were later mostly abolished by a budget deal passed by Congress and signed by Mr Obama in early 2013.