



Can The Rubio-Lee Plan Unite Republicans On Tax Reform?

By Ryan Ellis

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Senators Marco Rubio (R-Fla.) and Mike Lee (R-Utah) today introduced a tax reform plan which has been generating a lot of praise from all around the conservative world. It's got good to very good marks from Grover Norquist's Americans for Tax Reform, Dan Mitchell of the Cato Institute, Larry Kudlow, Ramesh Ponnuru, Cesar Conda, and Jennifer Rubin of the Washington Post. (UPDATE: since publication, Dr. Gregory Mankiw has joined their ranks).

I have no doubt the accolades will continue to roll in, since the tax plan has a little something for everyone in the broad center-right coalition. And that might be its secret to achieving fundamental tax reform.

Are you a middle class family with kids? If so, you should like this plan. It creates a second child tax credit of \$2500 (on top of the existing \$1000 one). It eliminates the marriage penalty. It broadens the 15 percent bracket all the way up to \$150,000 of taxable income for couples. It creates a personal tax credit of \$4000 for a married couple. It kills the AMT. It doesn't touch your mortgage interest deduction or your charitable deduction. Social conservatives should absolutely love this plan.

Are you a business owner? Do you own your own small business? If so, this plan is a big boon to you. The Rubio-Lee plan has a top tax rate on business income of 25 percent (which applies to all types of business entities). It has full business expensing, so no more long and complicated depreciation tables. If you do any business overseas, it allows you to bring every penny of that money back to the United States, tax-free.

Are you a saver? You're really going to like Rubio-Lee. It creates a 0 percent—that's ZERO PERCENT—tax rate on capital gains, dividends, and interest. All savings, in whatever account you own, would work like Roth IRAs do. That is, you save money on an after-tax basis, but your savings grows tax free forever. If you're a senior, you've got to love not having to pay taxes on your dividends or your bank interest.

That's not a bad little coalition there. You have average middle class families with kids. You have social conservatives who want the tax code to recognize the value of kids and families to society and the economy. You have business owners, large and small. You have supply siders, who love the massive growth created by cutting taxes on savings and investment, not to mention business marginal rates. You have (presumably) the big majority of the K Street business community. You have the "investor class" of super-savers.

Don't look now, but that's a pretty good proxy for a winning GOP electoral coalition. If you look at the profile of GOP voters from successful years like 2014, it looks a lot like this list.

What might that mean for tax reform?

A presidential nominee running on the Rubio-Lee plan, attracting a winning electoral majority behind it, would have a lot of momentum for fundamental tax reform. The old fights of "I think the child tax credit should be raised" vs. "we should cut rates like Reagan did" would be swept aside. Everyone gets a piece of the pie, and everyone works together to get this done. Everybody wins, and no one is left out in the cold. It's like "Oceans 11," but with our own money.

Maybe that's too optimistic a take on the perennial frustration that is tax reform, but the Rubio-Lee plan is the best hope yet of putting the band back together and actually getting it done.