



Marco Rubio's 'Complicated' Tax Plan Likely to Fall Flat With GOP

By Melissa Clyne

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Florida Sen. Marco Rubio, expected to soon announce his candidacy for president, plans to steal Democrats' thunder and target income inequality by campaigning on a tax plan that he promises will "reward families with children while slashing levies on business and investment income but keeping a top rate personal income rate of 35 percent," according to Politico.

Rubio's plan, a joint effort with Utah Sen. Mike Lee, pares down tax brackets to just two — 15 percent and 35 percent, while also creating a new child tax credit worth \$2,500 and eliminating the estate tax, Politico reports.

For corporations, the top rate would be 25 percent — a 10 percent cut from the current rate — and allows for immediate deductions on investments. It also calls for a "territorial tax system that would not apply U.S. tax rates to foreign income earned abroad by U.S. businesses."

"America right now suffers from slow growth, and the growth there is doesn't seem to be helping most Americans, including the folks who vote in GOP primaries," according to economic analyst James Pethokoukis of the American Enterprise Institute.

"The Rubio-Lee plan would address both issues through sweeping corporate tax reform and cutting investment taxes while also directing immediate tax relief for families."

Rubio's complex tax plan may not gain much traction within the party, Washington-based political consultant Rich Danker writes in a Forbes column bearing the headline, "Marco Rubio's Economic Policy Needs A Reboot."

"It's implausible that this tax plan will excite Republican voters because most won't understand it or see much benefit from it," Danker writes. "There's little for them to get excited about in a

plan that would leave the top rate practically unchanged while adding to the deficit (\$414 billion according to the Tax Foundation).

"Because the threshold for that 35% rate would go from \$411,500 all the way down to \$75,000, many people who consider themselves upper-middle class would be staring a marginal tax hike in the face. Supply-siders have sparred for years about the prudence of eliminating taxes on capital gains and other investment income, but 2016 seems like the wrong year to run on that when stock market participation is near a 15-year low."

The New York Times' Upshot blog characterizes the Rubio-Lee proposal as the "Puppies and Rainbows Tax Plan."

"After all, it's full of things everybody likes, at least on the Republican side: family tax cuts that will make it easier to buy the children a puppy, and capital tax cuts that chase a pot of capital investment gold at the end of the rainbow," the Times writes. "The main problem is that both puppies and rainbows are expensive."

The plan does not properly take into account the gloomy long-term budget outlook, according to the Times.

"When it becomes clear that a budget constraint exists, and that a new Republican administration can hand out only so many hundreds of billions of dollars in tax cuts, who will win: the puppy lobby or the rainbow lobby?"

Rubio's proposal also runs the risk of making him appear "out of step and too timid on the tax cut front," according to Politico, noting that flat-tax proposals by Sens. Ted Cruz and Rand Paul are much bolder.

"It could also allow former Florida governor Jeb Bush, who will compete with Rubio in the more centrist lane of the GOP primary, to come up with a less complicated tax cut plan that hews more closely to Republican orthodoxy," according to Politico.

"If you are a GOP primary voter and not a policy wonk who follows this stuff closely, you might not really understand what Rubio is trying to do here," Daniel J. Mitchell of the libertarian-leaning Cato Institute, told the website.

"There is a risk that with Cruz and Paul both talking about a flat tax that Rubio, even though he does some big and important things, might get lost in the clutter."