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## Perry's uphill battle for flat tax

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Rick Perry introduced his flat tax plan this week to positive reviews from Republicans, but here's the catch: It doesn't have a prayer.

The reason is simple: The last 30 years of tax politics is littered with the detritus of failed flat tax proposals, most prominent among them the one highlighted by Steve Forbes in his 1996 presidential campaign. Despite longstanding support for the idea, not once has a flat tax come remotely close to passing Congress.

For Perry's purposes, it may not matter. The proposal is part of his effort to roll out a more substantive policy vision and to compete with rivals who have already unveiled tax plans, including Herman Cain, whose 9-9-9 plan - 9 percent taxes on income, sales and business income - has captured popular attention.

Against that backdrop, the odds of Perry's flat tax plan passing in Congress are almost beside the point.

The flat tax has been kicking around policy circles since the early 1980s, when Stanford economists Robert Hall and Alvin Rabushka penned a December 1981 Wall Street Journal op-ed introducing it. According to Hall and Rabushka's book, "The Flat Tax," the first congressional bills to implement a flat tax were actually introduced by Democrats: Sen. Dennis DeConcini of Arizona and Rep. Leon Panetta of California, who now serves as President Barack Obama's Defense secretary.

"There was this marriage of identity at the time," Rabushka said. "What happened in America was the 1986 [Reagan tax reforms] took the wind out of the movement. Most of the people who supported the flat tax said, 'Oh we got 80 percent of what we wanted, let's go home.'"

DeConcini said he was surprised by how little support there was for the concept.

"The opposition boiled down to the special interests that are stakeholders in the tax code that is now there," DeConcini said. "Whether it's the rich Wall Street people or it's the Baptists or Catholics or Mormon churches that can entice people to give money because they don't have to pay tax on it, they like the system how it is.

DeConcini, whose 1982 flat tax proposal had a 17 percent income tax and, unlike Perry's proposal, no exemptions, said the reaction to the idea was an eye-opening experience.

"It was just kind of a wake-up call of how intensified and secure so many of the tax breaks are," he said of the opposition. "So when these politicians, Democrats or Republicans, talk about modernization of the tax code, it would really take somewhat of a revolution. ... Perry kept these exemptions in his plan, which is just an invitation for everybody else to come in and say, 'Me too.'"

Jerry Brown's 1992 presidential campaign, for which Rabushka served for a while as an economics spokesman, was the last time a prominent national Democrat advocated for the flat tax. By 1996, it had become firmly rooted on the right - Forbes mounted a presidential primary campaign predicated on a flat tax, but won only two states. Despite former House Majority Leader Dick Armey's vigorous support for the proposal, it never gained serious traction in Congress.

While liberals decry flat tax plans as regressive, the more formidable obstacle to a massive simplification of the tax code is K Street. Making the tax code simple enough to, as Perry said Tuesday in South Carolina, do one's taxes on the back of a postcard, would essentially eliminate the Washington influence industry - it would deal a massive blow to the scores of lobbyists who make a living by carving out tax loopholes for corporations.

No member of Congress who relies on K Street fundraising, said former Georgia GOP Rep. John Linder - the chief Hill advocate for replacing the tax code with a consumption tax before retiring in January - will ever vote for a tax plan that eliminates the business of creating tax loopholes.

"There's not a person on K Street who will support" a flat or fair tax, Linder said. "They make their living gaming the code. ... They're just going to put it down. The desire to maneuver the code for specific benefits is just overwhelming."

"The Bush Administration had no interest in it, that was a huge lost opportunity," Forbes said Tuesday in a phone interview from the Czech Republic which, he noted, adopted a flat tax on income since his 1996 campaign. "Sometimes politicians are poor entrepreneurs. They are afraid of criticism."

But due to the economic recession and the tea party momentum that ushered in the current GOP House majority, Forbes said he's hopeful that by 2013 there could be enough congressional support to enact a flat tax.

"The interest of self-preservation or new members works wonders," said Forbes, who is a Perry supporter. "That's the key thing in 2012 now that it will be a major issue, there will be a mandate to make the change."

One problem congressional flat taxers have yet to overcome is an intramural squabble with consumption taxers like Linder. Texas GOP Rep. Michael Burgess, the leading flat-taxer in Congress and heir to Arme's congressional seat, said fiscal conservatives have been too busy fighting among themselves to present a united front.

"Republicans are for fundamental tax reform, I think we agree on that," said Burgess, who introduced a flat tax bill in March and is supporting Gingrich, with whom he penned a 2008 op-ed pitching the flat tax. "Where the disagreement amongst conservatives is, is do you favor something along the lines of the Arme flat tax or the fair tax on consumption?"

He added: "The argument amongst conservatives always turns into a family fight among conservatives and we never seem to progress beyond that."

Anti-tax advocate Grover Norquist blamed a host of Republicans for not pushing harder for a flat tax, but he pointed the finger primarily at Jack Kemp, for not pushing the flat tax in the early 1980s, and George W. Bush, for opting to push for Social Security reform rather than a flat tax to start his second term.

"It was in fact what Bush should have done after the 2004 election," Norquist said. "You could have passed the Perry bill right after the 2004 election. We could have gotten tax reform passed. The moment passed because they spent all their time on Social Security and being the president of Baghdad."

Perry, during a Tuesday afternoon press conference in Columbia, S.C., said "there's a lot that's changed since 1996" but didn't offer specifics. Today's political environment features a sluggish economy and an unpopular president, two things that didn't exist for 1996 GOP nominee Bob Dole.

"I remember Dick Arme telling me that he'd get his flat tax signed into law by President Dole," Burgess said. "I always thought that it would take a national referendum to move the needle. A presidential election surrounding a tax proposal, a hybrid 9-9-9 or whatever, would do a lot toward solving that problem."

Daniel Mitchell, a former Senate finance committee economist who is now a flat tax advocate at the Cato Institute, said flat tax momentum stalled during the George W. Bush years because the president opposed the idea. Now it has little traction now because its congressional supporters are back-benchers.

"There's no equivalent of Dick Arme pushing it from a high profile leadership position," Mitchell said. "If there's a Republican in the White House who wants a flat tax, that doesn't make it a slam dunk, but it definitely would be a very serious possibility."