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Republican debate: The GOP's incredible opportunity in 2025

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Lost among the barbs and bluster that defined the first Republican debate, Mike Pence spotlighted one of the most consequential decisions the next president will make. One can be forgiven for missing the moment; the former vice president himself almost did. While responding to a query about COVID-19 and the nation's crime surge, he casually reminded viewers that "those Trump-Pence tax cuts that we got signed into law go away at the end of 2025."

When the GOP presidential hopefuls meet again at the Ronald Reagan Presidential Library for the second primary debate, the moderators and candidates should take a break from the name-calling and lay out for voters just what they plan to do with the most significant overhaul to the U.S. tax code since President Ronald Reagan's 1986 reform.

The next president will have an opportunity to make the expiring 2017 tax reform permanent. Those reforms cut taxes by almost \$3,000 for a family of four by doubling the child tax credit, increasing the standard deduction, and cutting marginal tax rates for Americans at every income level. Despite what you've probably heard, the biggest tax cuts, as a portion of what they owed, went to the lowest-income taxpayers.

These tax cuts expire at the end of 2025, raising taxes by more than \$3 trillion in the subsequent years. But that's not all. Complicating matters further, the next debt ceiling fight will also take place in 2025. The caps on discretionary spending that Congress agreed to earlier this year will also expire, as well as the pandemic-era suspension of the income limit for Obamacare premium tax credits.

Without strong convictions and clear principles, Republicans risk losing the once-in-a-generation opportunity created by this 2025 fiscal cliff. Done right, reforms can further cut and simplify taxes without making our fiscal situation worse. If we do nothing, economy-crushing tax increases happen automatically.

We have been down this road to the cliff's edge before. In 2013, then-President Barack Obama and congressional Republicans agreed to a fiscal deal to head off the similar expiration of the Bush tax cuts. Under the terms of the deal, about 1 in 5 of the cuts expired, raising taxes on some of the most productive Americans.

The 2017 reforms reversed this course, but the situation is even more tenuous than in 2012. President Joe Biden campaigned explicitly on repealing significant parts of the tax cuts in 2020, and congressional Democrats have only grown more hostile to tax reforms over the past decade. Every candidate in the field should lay out for voters where they stand on the next great fiscal cliff and what is to be done about it. We believe that there are a few principles that should guide how the future administration approaches reform.

Our tax code has become a tangled nest of credits, deductions, preferences, and loopholes that provide trillions of dollars to politically favored industries — wind turbines, solar farms, electric vehicles, and specific types of health insurance, to name a few — and move millions entirely off the tax rolls. These provisions should be eliminated wherever possible so that more taxpayers have skin in the game and those making the same income pay the same tax bill.

Income should be taxed once and at the lowest rates possible. Under current law, income is taxed when it is earned and then taxed again by taxes on interest, capital gains, and dividends if you save or invest your money. At death, it could be taxed again. This principle applies to businesses too. America can be the most attractive place to do business in the world by keeping corporate taxes low, rejecting President Joe Biden's global tax cartel, and permanently allowing businesses to deduct the full costs of investment immediately.

Lastly, tax reform should be deficit-neutral after accounting for economic growth. The U.S. fiscal situation has changed dramatically since Reagan's presidency in the 1980s. The federal government has added over \$9 trillion to the federal debt in the last five years alone, which has spurred inflation and higher interest rates that make it difficult for families to afford a mortgage or buy a car.

Deficits continue to climb despite federal tax revenue as a percent of the economy reaching a two-decade high last year. According to the Congressional Budget Office, interest payments on the public debt alone are \$149 billion *higher* this year compared with this time last year.

Under Reagan, federal debt increased as Congress let spending grow faster than tax revenue. The same was true under President Donald Trump and both Bushes before him. However, there is mounting economic data suggesting that this time is different, and we cannot afford to raise taxes on families or let the deficit continue to increase.

Tax reform should strive to offset rate reductions by closing loopholes, reducing spending, and encouraging additional economic growth because, without budget reform, any tax relief will

necessarily be short-lived as spending continues to spiral out of control. Absent substantial reforms and the extension of the 2017 tax cuts, the public will have 3 trillion more reasons to worry about their fiscal future. The candidates seeking the nation's highest office owe it to people of all tax brackets and income levels to explain how they plan to address the looming crisis.

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