NATIONAL REVIEW

Rating the GOP Contenders on Taxes

By Michael Tanner

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All the 2016 candidates want to cut taxes — but which taxes, and how much?

‘God,” the late columnist Robert Novak used to say, “put the Republican party on earth to cut taxes.”

If so, there is unlikely to be any theological crisis for Republicans anytime soon. All the GOP’s major 2016 candidates are expected to propose some reduction in taxes. But with tax cuts, perhaps even more than with other issues, the devil is in the details. What taxes do they proposed to cut and by how much? Are the cuts designed to increase economic growth? Are they accompanied by spending cuts, or will they increase the deficit? (No, not all tax cuts pay for themselves).

As with other issues, it is very early in the campaign, so we shouldn’t necessarily expect fully detailed plans yet. But we have more than enough clues to be able to discern the general outline of the candidates’ priorities.

As is the case with most issues, the two most detailed plans released so far belong to Senators Marco Rubio and Rand Paul. **Rubio** is the co-sponsor, with Senator Mike Lee, of the Economic Growth and Family Fairness Tax Reform Plan, which would reduce taxes by roughly $4 trillion over the next decade (on a static basis; dynamic scoring suggests the revenue loss would be somewhat less). The plan would reduce the number of tax brackets to just two, 15 and 35 percent, while eliminating nearly all itemized deductions and replacing the current standard deduction with a fully refundable personal credit, plus a new $2,500-per-child exemption. On the business side, the bill would reduce the corporate tax rate to 25 percent, again while eliminating most current deductions. It would, however, allow full deductibility for investments in the year in which they are expensed. It would also adopt a territorial tax system, exempting foreign income of U.S. corporations. The plan has been criticized by some supply-side and business-oriented economists for leaving marginal tax rates too high, and not being sufficiently growth-oriented. Rubio and others, notably reformicons, see it as a family-friendly and middle-class-oriented tax cut.

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Rand Paul posted a detailed plan on his campaign website a couple of months ago, but he has since taken it down amid reports that he is revising it to lower rates even further. As originally posted, Paul’s plan would establish a 17 percent flat tax; however, he is reportedly working with Stephen Moore of the Heritage Foundation and others to bring that rate down to as low as 13 or 14 percent. The plan would also include a personal exemption, unlike most flat-tax plans, thereby lowering the effective tax rate still further. The size of the exemption was not spelled out, but according to some reports it could be as much as 20 percent. Capital gains, interest, and dividends would all be untaxed. The estate, gift, and alternative minimum taxes would all be eliminated. Paul also plans a payroll-tax exemption for low- and middle-income earners, though he has not provided details, and such a cut could complicate financing for Social Security. And Paul also proposes even larger tax cuts for high-poverty areas. Paul himself estimates that his plan would reduce revenue by about $700 billion per year, though he intends to propose spending cuts to offset the loss. Paul’s foreign policy came under attack recently as “Barack Obama’s third term,” but he certainly isn’t pursuing Obama’s tax policies.

Unlike Rubio and Paul, **Ted Cruz** has not yet released a full tax plan, though he frequently talks about wanting to abolish the IRS. He has hinted at support for some type of flat tax, saying he supports a tax code “that lets every American fill out his or her taxes on a postcard.” However, Cruz’s flat tax may not be completely flat. He has indicated a willingness to continue some popular deductions such as the write-off for charitable contributions and the mortgage-interest deduction.

Likewise, most of the governors and former governors running for the nomination have offered only a general idea of what they intend to propose on taxes. But, unlike the senators who are running, the governors have a track record that can tell us quite a bit.

Perhaps the most detailed plan put forward by any of the governors belongs to **Chris Christie**. Christie has called for simplifying the income-tax system to just three individual rates, with the top rate no higher than 28 percent and the bottom rate in the single digits. He also calls for cutting the corporate tax rate to 25 percent. To ensure that the overall plan is revenue neutral, he would radically reduce deductions, credits, and targeted provisions in the tax code — on both the personal and the corporate side. One way to do this, he has indicated, might be by capping the total amount of deductions and credits that an individual or married couple could take. And, as one piece of the entitlement reforms that Christie has proposed, he would eliminate payroll taxes for those over 62 or under 21. As governor, Christie has generally been strong on taxes, signing substantial business-tax cuts in 2011 and proposing a 10 percent across-the-board income-tax cut in 2012. He has repeatedly vetoed tax hikes on higher earners passed by the Garden State’s Democratic-controlled legislature.

During his eight years as governor of Florida, **Jeb Bush** was generally considered much more aggressive on cutting taxes than he was on reducing spending. Cato’s biannual fiscal report card from 2006 stated: “Jeb Bush leaves office with a well-deserved reputation as one of the most aggressive tax cutting governors in the nation. He has proposed and signed into law a tax cut virtually every year of his tenure, ranging from cuts in property taxes to a phase-out of the intangibles tax.” As a presidential contender, Bush says that he is considering some type of flat tax and “bigger and broader tax relief.” However, it should be noted that he is the only Republican candidate who has not signed Grover Norquist's pledge to the American people not to raise taxes.

While Bush had a fairly good tax record as governor, **Mike Huckabee** had a dreadful one. Huckabee received a D on Cato's report card for his entire tenure and an F for his final term, principally because of "his insistence on raising taxes at almost every turn throughout his final term." The report card gives Huckabee credit for pushing, in his first term, for a sweeping $70 million tax-cut package. That was the first broad-based tax cut in Arkansas in more than 20 years. He even signed a bill to cut the state's 6 percent capital-gains tax — a significant pro-growth accomplishment. But nine days after being reelected in 2002, he proposed a sales-tax increase to cover a budget deficit caused partly by large spending increases that he had proposed or approved, including an expansion in Medicaid eligibility that he had made a centerpiece of his agenda in 1997, his first full year in office. He also went along with a 3 percent income-tax "surcharge" and a 25-cent increase in the cigarette tax pushed through by Democrats in the legislature. Huckabee is currently an advocate of the Fair Tax, a form of national retail sales tax, although he has been vague about the rate. Lower-income Americans would receive a "prebate" payment to offset their tax liability.

Scott Walker may have the best record on taxes among the governors running. He cut income-tax rates in both 2013 and 2014, in the process reducing Wisconsin's five income-tax rates to four lower rates. Those cuts are expected to save Wisconsin taxpayers more than $500 million annually. That helped earn Walker a B on Cato's scorecard, though his overall grade was held down by some weakness on spending. In the current campaign, Walker says he would "slash the marginal tax rates for everyone across the board — go to a simpler, more flat tax."

As good as Walker's record on taxes is, **Rick Perry** could give him a run for his money. As governor, Perry approved a business-tax overhaul that replaced Texas's corporate franchise tax with a modified-gross-receipts tax called the "margin tax." The added revenues were used to reduce local property taxes, but critics said that the overall effect of the package was to centralize government power in Austin. Perry also signed bills providing more than $700 million annually in additional tax cuts, including an extension of a $1 million exemption for small business under the margin tax, a temporary cut to the margin-tax rate, and various sales-tax exemptions for business purchases. Like Walker, Perry earned a B on the Cato report card. Perry has not spelled out a tax plan for this campaign, but during his 2012 run he proposed a system whereby taxpayers could choose between the current tax system and a 20 percent flat rate, whichever was lower.

Finally, among those candidates without previous electoral experience, **Ben Carson** has been the most aggressive on taxes, calling for a flat tax of 10 to 15 percent. **Carly Fiorina** has only said that the current tax system is "in desperate need of reform." She has called for a simpler code and tax cuts to spur innovation, but has provided no details.

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