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Trump's Corporate Tax Reform Would Grow the Economy Bigly

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The long-awaited Donald Trump tax plan is out. And let's just say, it's shocking. At least to those (read: Democrats) convinced that all money belongs to the government and Americans are simply given an allowance at Washington's pleasure.

(We cover personal income tax reform here.)

Key in the president's proposal is a federal corporate income tax rate reduction from 35% to 15%. Now mind you, even without combining the federal corporate tax rate with the average tax rate among states, the U.S. has the highest corporate income tax rate among the 35 industrialized nations comprising the Organization for Economic Cooperation and Development. What's more, among *all* nations, we rank third highest — behind Puerto Rico (39%) and the United Arab Emirates (55%). There's a bronze medal worth forfeiting.

Oh, but remember the Left's call for "economic patriotism" among corporations? How dare companies leave the country for lower tax rates! Well, now Trump is giving them a reason to stay — or to repatriate the estimate $2.4 trillion in offshore money — and leftists can't handle it.

After all, lowering tax rates violates the Left's most important fundamental economic assumption: All wealth belongs to the government, and they allow us to keep some of it — when they can "afford" to do so. For Trump and conservatives (not to mention for anyone who lives in reality), the money belongs to those who earned it. We generate it through producing goods and services and trading them for profit. Even if the "we" means the corporations the Left loves to hate (except when it involves bagging $400,000 for a speech, that is).

Now, faced with Trump's idea that job creators should actually be able to keep more of their own money, the Left is reacting with typical (and rather entertaining) apoplexy.

The Washington Post, for example, lamented that Trump wants the rate cut "even if it swells the national debt." The Post reports that "independent budget experts say [the reduction] could cost the federal government $2.4 trillion over a decade."

Let's step back for a minute. First, we're glad the Post was such a budget hawk during Barack Obama's tenure, too (you can stop laughing now). Second, letting corporations *keep* more of what *they earn* is going to *cost* the government? Talk about Common Core math. Further, remember when Obama came into office and spent a trillion dollars on that smashing failure of an economic "stimulus" package? Oh, and recall how much of that money went to the administration's cronies? The Leftmedia was just fine with that.

Never mind ObamaCare's impact on the debt.

Under Obama, the deficit quadrupled to $1.6 trillion *in one year*. Naturally, he blamed George W. Bush. Yet, the Post is hyperventilating that Trump's plan will supposedly "cost" $2.4 trillion *over a decade*.

That's assuming the projection is anywhere close to true. The forecast predicts lost tax revenue based on a static analysis — i.e., deliberately not accounting for economic growth created by lower rates. Yet Investor's Business Daily reports, "Back in 2015, the nonpartisan Tax Foundation ran the numbers and concluded that cutting the corporate rate to 15% would boost GDP by 3.7% and actually increase federal revenues by 0.3%." It's tough to measure how much of a boost the economy would receive from companies keeping 20 percentage points more of their revenue. They could hire more, pay employees more, create more products, buy more office space, spend on better research and development, and the list goes on. It's certainly a reason to hope for GDP growth of better than 3%, which is something Obama never ushered in.

Furthermore, The Wall Street Journal notes, "Trump would make small businesses like S corporations and other pass-throughs that now pay through the individual tax code eligible for the 15% rate. Tax parity among all companies is a useful goal, not least because owner-operated companies are an engine of hiring and growth." Many of those small businesses pay the top 39.6% individual rate.

Finally, as leftists discovered just this week, tariffs cost *consumers* money, not corporations. The same is true of corporate taxes. The Cato Institute's Michael Tanner explains, "[W]e should understand that corporations are largely collectors of taxes, rather than payers. The vast majority of corporate taxes are simply passed through, ultimately paid by investors, consumers, or employees."

All told, this kind of thinking is foreign to the Left, as their government-control-freak mentality can't even grasp that corporations will do a better job of economic growth than Washington. But if history (not to mention logic) is any indicator — they will. Oh, they certainly will.

Of course, to unleash private sector growth, the tax cut must make it through Congress. The House GOP has called for cutting the corporate rate from 35% to 20%, so obviously compromise is going to have to happen on the numbers. And the preference of House Speaker Paul Ryan and other Republicans is for any reform to be revenue neutral. We'd prefer *deficit* neutral — that tax reform would be followed by *spending* reform. Unfortunately, Trump isn't interested in that, and there are too many special interests dictating things to Congress. That leaves starving the beast with “unpaid for” tax cuts.

Still, here’s the bottom line: For eight years, corporations (that aren’t perfect) were scapegoated as the root of all evil. And leftists bask in this class warfare rhetoric that lets them avoid facing their own policies' abject failures. Now, for the first time in a while, momentum is on the side of entrepreneurs and job creators. And the Left is scared witless at the threat this poses to their agenda.