



Trump's Tax Fight Could Look a Lot Like the War Over Healthcare

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On Wednesday, President Trump finally released his long-promised tax plan, laying the groundwork for what is likely to be the last major legislative fight of 2017. If the White House and Congress can't push something they can plausibly call "tax reform" into law by year's end, it could doom the GOP in the midterms and leave Trump with nothing substantial to show for his first year in office. But this should be an easy lift, because Republicans unanimously love the sort of sweeping tax cuts Trump's proposed, and literally any issue is less controversial than healthcare, right?

Actually, no. What Trump revealed Wednesday somehow *still* isn't a fully fleshed out *plan*. It offers key goals, but leaves the details murky, shunting it to Congress to fill in the blanks. And there is plenty of room for that process to get derailed—so much that we probably won't see actual legislation this year, and may never see a law that actually matches the real estate scion's framework.

The document, crafted by key members of the administration and Republican congressional leaders, calls for reducing the number of income tax brackets from seven to three, set at 12, 25, and 35 percent versus the 10 to 39.6 percent range today. It nearly doubles the standard deduction while eliminating most personal exemptions, potentially simplifying the tax return process. It proposes increasing the child tax credit and creating a new \$500 credit for non-child dependents, like the elderly. It cuts the corporate tax rate from 35 to 20 percent, while lowering the tax rate for partnerships and sole proprietorships—i.e. most small businesses—to 25 percent. It also calls for changes that would lower taxes on money companies generate abroad and incentivize the repatriation of offshore profits. And it calls for the elimination of the alternative minimum and estate taxes, which are mostly irksome to very rich people and affect Trump personally.

But that's about *all* we know. The plan is nine pages long, and as Ryan Lizza of the *New Yorker* pointed out, much of that is large typefaces and empty spaces.

For starters, it's still decidedly unclear what income ranges—that is, which Americans—will fall into each of the new tax brackets. Also: What individual or corporate deductions will survive this purge? (The plan does call for the preservation of write-offs for charitable giving, education spending, mortgage interest, and retirement savings, among other categories, but does not specify

how to preserve them or what else could be saved.) How much will the child tax credit increase? How can Congress stop wealthy people from posing as partnerships or sole proprietorships to game these new, lower tax rates? What would be the rates and mechanisms to reduce taxation on foreign profits without encouraging American companies to move most of their operations offshore? And won't lowering the top tax bracket and eliminating two key taxes on the wealthy help them at the expense of the general public?

Although each one of these decisions could devolve into a fight within the Republican Party, tax policy and legislative experts tend to agree that perhaps the most contentious issue is how costly the eventual tax cut package will be. There are indications that prominent members of the Party are willing to eat a projected initial increase in the deficit on the (probably misguided) faith that these tax cuts will spur enough economic growth to make up for it. Even so, initial estimates suggest this framework could lead to legislation blowing up the deficit more than many self-styled fiscal hawks would be comfortable with.

"They described all of these tax cuts but said essentially nothing about how they're going to pay for them," said Howard Gleckman, senior fellow at the liberal-leaning Urban Institute. "That question is going to take up most of [Republicans'] time and energy over the next several months."

There'll also be particularly hard fought battles over every deduction or loophole eliminated. "A lot of these are very important to specific congressmen because they have specific industries in their districts that benefit from it," said Mike Tanner, a senior fellow at the libertarian think tank Cato Institute. "This is going to be a close vote, particularly in the Senate. So... that's going to be a down and dirty fight that's not going to get a lot of attention because it's going to happen at such a granular level, but it's really going to matter."

And if it becomes clear to the public that the wealthy will benefit from whatever is brewing on Capitol Hill, that'll make it hard for the president and other self-styled populists to advocate for it. The White House is reportedly especially sensitive to this; it's not a particularly good sign that the administration seems to be hedging on just how generous the cuts will be to the middle class versus the rich.

Possibly recognizing how messy this process could become, Trump has already made overtures to Democrats to get onboard with this evolving tax plan. He could just be using the threat of leaning on the opposition to whip Republicans into obedient shape. But padding a controversial tax bill's margins with Democratic votes is not implausible. Plenty of Democrats voted for George W. Bush's massive tax cuts in 2001 and 2003, and the party's caucus is not as unified in opposition to Trump's tax plan as they were to his healthcare agenda. However, attracting Democrats to make up for lost Republicans could come at the cost of further tweaks that might alienate the Freedom Caucus and other ideologically sensitive factions in Congress.

"The tax code is huge and affects so many people and so many industries and special interests, that's why we've only had one real reform," said Tanner, referring to Ronald Reagan's sweeping 80s overhaul. "This is not easy to do. If it was, we would have already done it."

The going theory is that this framework is purposefully vague because Republicans wanted something they could show unity and progress on, and because they know getting into the nitty-gritty will be a nightmare. That, to the mind of Marc Goldwein of the nonpartisan Committee for a Responsible Federal Budget, makes this situation similar to the one Republicans found themselves in over actually repealing Obamacare: what seemed like an easy fight on a unifying issue became an ugly squabble.

Still, taxes *should* be easier to sort out than healthcare, as there are so many chips to bargain with to win votes. It helps that lives are not literally at stake, and, as Frank Clemente of Americans for Tax Fairness of Republicans put it of Republicans, "This is the Holy Grail for them, and if they can't deliver, basically, it's game over."

However, Clemente warns against underestimating the ability of lobbyist groups to throw wrenches in legislation they believe would hurt their causes. And then there's Trump. Major legislation like this usually requires strong leadership from the White House to sell it and help cover for members of Congress casting votes their constituents might not like. It barely needs to be said at this point that Trump does not exhibit that kind of leadership, nor would he ever take a political bullet for anyone not named Trump.

It already looks like the president will be more hindrance than help in this fight. His promises earlier this week about not reducing taxes on the rich forced Republicans to amend the already-finished plan at the last minute to include the option of adding a fourth high-income bracket. And his own history of exploiting tax loopholes and refusal to disclose his tax returns, which we'd need to see to understand if and how these cuts would benefit him and his family, doesn't make him the most credible populist messenger on these issues.

The consensus on Wall Street seems to be that this is such a messy topic that we may not see a vote on any final legislation until next year. And the experts I've spoken to suspect any actual law will only broadly resemble the framework, and that said framework could be abandoned for more modest changes. "I would expect to see bets hedged before too long," as Tanner put it. All of which is to say that rather than a slam-dunk that provides a boost for Republicans heading into the midterms, taxes are likely be another humbling slog for Trump and his party. Debate should heat up in mid October, after Congress passes a budget resolution for 2018, triggering the reconciliation mechanism that will allow them to pass a tax bill with a simple majority in the Senate.

So get ready for yet another endless, agonizing fight over a far-reaching policy in the name of a president who doesn't care very much about the pesky details of governing.