

# United Liberty

## *Round Up: Perry's tax plan receives mostly mixed reviews*

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Rick Perry has rolled out his version of the “flat tax” and it has been met with mixed to very negative reviews. I noted yesterday that Perry managed to [gain support from Steve Forbes](#), who pushed the concept during his two unsuccessful bids for the GOP nomination.

The good news is that tax reform, specifically the flat tax, matters again. Newt Gingrich was quick to point out yesterday that he [has his own version](#) of the tax, the concept of which has a lot of support among conservatives and libertarians (the flat tax in general, not necessarily Gingrich's proposal). According to a [new survey from ABC News](#), it's more popular than Herman Cain's 9-9-9 plan:

*While a flat tax divides the nation overall, moreover, it resonates most strongly in a group of particular interest to Perry – “very conservative” Americans, a key GOP voting group. They hold favorable views of a flat tax by a broad 68-28 percent in this [ABC News/Washington Post poll](#), suggesting a strategic rationale for Perry's initiative.*

*More broadly, there's greater division: Americans overall split by 47-48 percent on the notion of a flat tax – that is, removing most income tax deductions and charging all taxpayers the same tax rate, instead of charging higher rates on higher incomes. That's almost identical to the 48-48 percent split on a flat tax in a different [ABC/Post question](#) back in August 1996.*

*Views are more lopsided on Cain's idea of setting the federal income tax, business tax and a national sales tax at 9 percent each. Americans by a 20-point margin, 56-36 percent, hold an unfavorable opinion of the 9-9-9 plan. And intensity runs against the idea: it's seen “strongly” unfavorably rather than strongly favorably by a 3-1 margin, 35 percent vs. 12 percent.*

Since I prefer a flat tax to the so-called FairTax or Cain's 9-9-9 plan and have a lot of respect for Forbes, the Perry's proposal gained my interest. But after reading the coverage of it, it looks to be a FTINO (flat tax in name only).

It allows taxpayers to choose what tax system they want to have, which doesn't make much sense and could be confusing. And Perry's Flat Tax keeps some deductions and exemptions in place, which takes away the point of the simplicity in the system. I get that Forbes' own flat tax had an exemption, I believe, for income earners under \$36,000. But that was it, as I recall.

Outside of Nick's [post earlier on Perry's flat tax](#), here is a round up of the coverage around the web from economists, financial analysts, and others.

**Michael Brendan Dougherty (Business Insider):** “Perry's tax plan would preserve all the confusion, waste, and market distortions in the current code, and add another layer. The politicians who manage that would get a new tax code to fiddle with as a bonus — one that has

little substance beyond massively cutting taxes for the wealthy. Perry is selling simplicity to the GOP's base voters — that's the most appealing thing about a flat-tax — but most of these voters would actually pay less under the current more confusing code.”

**Chris Chocola (Club for Growth):** “A Flat Tax like the one proposed by Perry would unleash years of economic growth if it is passed into law. Furthermore, eliminating the tax on dividends and capital gains would immediately add trillions of dollars in new wealth to the economy, benefiting all Americans. Perry clearly understands that revitalizing the economy should start with a complete overhaul of a tax code that has nearly choked economic growth to death. Conservatives looking for a champion to carry the banner of a pro-growth tax reform will surely rally behind this bold proposal.”

**Reihan Salam (National Review):** “In the latest *Wall Street Journal*, Rick Perry offers his [tax proposal](#). It is an embarrassment.”

**Dan Mitchell (Cato Institute):** “[T]he grade for Perry's flat tax could be as high as A- or as low as B. Regardless, it will be a radical improvement compared to the current tax system, which gets a D- (and that's a very kind grade).”

**James Pethokoukis (American Enterprise Institute):** “The good in the plan is obvious. It creates a flattish consumption tax that reduces penalties on work, saving, and investment. That could add at least a half percentage point to long-term GDP growth going forward with an immediate boost from reduced business/investor/consumer uncertainty. And if it does kill the healthcare tax exclusion, that would go a long way toward creating a consumer-driven healthcare market.[...]What I don't like: a) It keeps the market-distorting, revenue-gobbling mortgage interest deduction; b) making it optional seems gimmicky; c) it does nothing about the payroll tax such as uncapping it and then lowering it; d) if it is not revenue neutral on a static basis (and I am guessing it is not), the media will kill it.”

**Philip Klein (Washington Examiner):** “Perry's proposed flat tax isn't all that flat. One problem is that it's optional, meaning that taxpayers would have the choice between remaining in the current tax code, or filing under a new “flat tax” with a 20 percent rate. Making it optional is a nod to the political reality that it would be harder to impose a flat tax immediately, because so many people have planned their lives assuming the various deductions in the tax code exist. From a policy perspective, it's thorny though. We'd still be stuck with a bloated tax code that people could exploit, and nobody who benefits from it would be inclined to switch. It would also make it difficult to score from a budgetary standpoint, because it's hard to predict how many people would choose each system.”

**Americans for Tax Reform:** “Rick Perry's optional flat tax plan will create jobs and grow the economy. It serves as an update to the Steve Forbes/Dick Armey “Hall-Rabushka” flat tax model.”