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Cain's '9-9-9' tax plan hits poor, helps wealthy, experts say

By Michael A. Fletcher, Published: October 13

The "9-9-9" plan that has helped propel businessman [Herman Cain](#) to the front of the GOP presidential field would stick many poor and middle-class people with a hefty tax increase while cutting taxes for those at the top, tax analysts say.

The plan would do away with much of the current tax code and impose a 9 percent personal income tax, a 9 percent business tax and a 9 percent national sales tax, which tax experts say would mean that low- and middle-income Americans would pay more.

Former Godfather's Pizza chief executive Herman Cain talks about why he resonates with voters at Costco in Arlington on Friday where he signed his book, "This is Herman Cain! My Journey to the White House."

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"Right now, we have a strongly progressive income tax. High-income people are paying a higher share of income in taxes than lower-income people," said Alan D. Viard, a former Federal Reserve Bank economist and a resident scholar at the right-leaning American Enterprise Institute. "That is a pattern that would be disrupted by adoption of the Cain plan."

The 9-9-9 plan has helped define Cain's candidacy. Coupled with his buoyant, plain-spoken style, it has helped transform the former long shot into a front-runner. Cain has touted the proposal's apparent simplicity and fairness, but he rarely delves into details. His campaign Web site shows that the plan is only a step toward achieving his ultimate goal: to eliminate the Internal Revenue Service after replacing all federal taxes with a national sales tax.

Meanwhile, analysts said the 9-9-9 part of Cain's vision would place a further burden on those hit hardest by the nation's economic problems.

Roberton Williams, a senior fellow at the nonpartisan Tax Policy Center, is working on an analysis of Cain's signature policy proposal. Although the plan's details remain sketchy, Williams said that it would increase taxes for the poor and middle class, despite Cain's statements to the contrary.

For starters, about 30 million of the poorest households pay neither income taxes nor Social Security or Medicare levies. “So for them, doing away with the payroll tax doesn’t save anything. And you are adding both a 9 percent sales tax and 9 percent income tax. So we know they will be worse off,” Williams said.

At the top end of the income scale, meanwhile, the opposite would occur, he said. The top 1 percent of earners would get a tax cut under Cain’s plan, Williams said.

The nation’s top income earners have reaped the vast majority of the nation’s income growth over the past quarter century, pushing income inequality in the country to levels not seen since the Depression. The tax plan would exacerbate that gap, Williams said.

“People at the top end pay 20 or 21 percent in income and payroll taxes now,” he said. “This plan zeroes out their payroll tax and suddenly their tax is down to 9 percent. Then, like everyone else, they pay 9 percent on what they spend. But the rich don’t spend everything they earn.”

Many conservatives are leery of creating a national sales tax that could be increased in the future.

“[I am] extremely uncomfortable with the idea of letting the crowd in Washington have an extra source of revenue,” wrote Dan Mitchell, a senior fellow at the Cato Institute, a libertarian think tank.

Rich Lowrie, an Ohio money manager who is an economic adviser to Cain, said analysts who call the 9-9-9 plan regressive are not privy to details of its provisions to soften the impact of the tax plan on the poor. The critics are “ignoring the empowerment zone piece that we are rolling out next,” Lowrie said in an e-mail. He did not explain how the empowerment zones would work but said details would be forthcoming.

Cain, a onetime director of the Federal Reserve Bank of Kansas City and a former chief executive of Godfathers Pizza, has said his plan has the twin virtues of fairness and

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“It basically empowers the poor rather than being regressive on the poor,” Cain told reporters earlier this week. “I don’t care about rich people. They’re already rich. I want to make it possible for people who are not rich to get rich.”

Cain said his plan would promote increased saving, investment and growth. When the increased growth is factored in, he said, the plan would be able to bring in as much money to the federal coffers as the current tax system. Tax analysts have mostly agreed

with that assertion, although they cautioned that projections about the plan's revenue potential are imprecise.

"I cannot promise that the plan is wholly revenue neutral compared to current law," wrote Edward D. Kleinbard, a University of Southern California tax expert. "But in fact it should raise a great deal of revenue."

The tax plan, which Cain has gleefully touted in GOP debates and his public appearances, has helped catapult the former executive to the front of the Republican presidential field, according to a new NBC News/Wall Street Journal poll, as well as a separate survey by the firm Public Policy Polling.

Experts say that adoption of 9-9-9 would mark the most radical federal tax change since the expansion of the income tax in the 1940s. It would upset the vast array of social policy that has been built into the tax code for years by, for example, removing tax breaks that subsidize home purchases and college tuition.

For that reason, many say that its adoption would be highly unlikely, even if Cain were elected president.

Although Cain talks about 9-9-9 as a concise, easy-to-understand plan to reform the sprawling federal tax code, it actually is envisioned as the middle step in moving the nation to a "fair tax" or national sales tax.

The fair tax, which former Arkansas governor Mike Huckabee (R) advocated during his 2008 presidential campaign, is viewed by supporters as efficient and transparent and as a way to encourage investment and broaden the tax base while eliminating the need for the IRS.

Opponents say the fair tax would discourage consumer spending, the biggest driver of the nation's economy.

And the 9-9-9 plan that Cain envisions preceding it would be no better, critics said.

"The absence of current law's package of a standard deduction, personal exemptions, child credit, child care credit and the earned-income tax credit means a huge tax hike for the working poor and a substantial tax increase on the labor income of the middle class," Kleinbard said.

Staff writers Amy Gardner and Glenn Kessler contributed to this report.