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Texas Gov. Rick Perry to Propose a Federal Flat Tax

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By [Mark Whittington](#) / Yahoo! Contributor Network – 21 hrs ago

Texas Gov. Rick Perry is going to take another step in reviving his campaign for the presidency by proposing a new economic plan next week. [According to the Daily Caller](#), the center of the plan is a [proposal for a flat tax](#).

- * The theory behind a flat tax is that all or most deductions are eliminated in exchange for a much smaller flat rate on income. The idea is that a flat tax would be far easier to comply with, eliminating the cost that the complicated federal tax code imposes on the private sector.
- * The flat tax has been proposed by political candidates across the political spectrum, from [current California Gov. Jerry Brown](#), who ran for president in 1992 on the issue, to [CEO Steve Forbes](#), who proposed it when he ran for president in 1996.
- * Current presidential candidate, former Godfather's Pizza CEO Herman Cain, has proposed a form of a flat tax with his ["9-9-9" proposal](#).
- * One of the criticisms of a flat tax is that it is not progressive enough. Some flat tax proposals, such as the [Tax Payer Choice Act](#), answer this criticism by having a two-tiered flat tax system, one rate for low- and middle-income tax payers, and a higher rate for high-income tax payers. Another feature proposed was to exempt an amount of income from the flat tax, meaning that lower-income tax payers would pay no income tax. It would also eliminate the Alternative Minimum Tax. The flat tax would be voluntary, which is to say a tax payer would have the option of paying his or her taxes under the old system. The act was supported by former Sen. Fred Thompson during the 2008 campaign.
- * A number of countries, including some that used to belong to the former Soviet bloc, [have gone to a flat tax already](#).
- * Some flat tax proposals exempt capital gains, interest, and dividends. This is the basis of [a proposal by the Hoover Institute](#).
- * [A flat tax proposal from the Cato Institute](#) would allow a family to fill out their taxes on a post card. They would fill out their wages on one line, subtract a single deduction based on family size, and pay 17 percent on the result. Similarly businesses would list revenues, deduct costs, and pay a 17 percent tax on the rest.

* [An argument against a flat tax](#) is that it would prove disruptive to the economy. The American economy is based on a tax code that allows for deductions for such things as home mortgages and other expenses. Take that out of the tax code, and incentives to do things like own a home would be eliminated.

* Texas, of which Perry is governor of, has [no state income tax](#).

Texas resident Mark Whittington writes about state issues for the Yahoo! Contributor Network .