

Huntsman unveils economic plan in N.H.

By Shira Schoenberg, Globe Correspondent

HUDSON, N.H. - Republican presidential candidate Jon Huntsman today advocated a dramatic restructuring of the tax code in a way that will help businesses, but could hurt those earning lower incomes by getting rid of tax breaks for mortgages or for low-income workers.

The tax code overhaul plan, modeled after Ronald Reagan's 1986 tax reform package, would lower the corporate and individual tax rates, while broadening the base of taxpayers by eliminating loopholes. Huntsman would also eliminate the capital gains and dividend taxes.

"Our tax code is too complex, our rates are too high, and the tax burden is carried by too few," Huntsman wrote in his plan.

The tax code overhaul was one part of Huntsman's jobs plan, which also focused on regulatory reform, energy independence and free trade. Huntsman, a former Utah governor and ambassador to China, announced the plan surrounded by metal presses at Gilchrist Metal Fabricating, a machining and manufacturing company, a symbolic location as Huntsman called for an increase in American manufacturing.

Huntsman predicted that the American people will "revert back to a system that believes in capitalistic traditions, the free market, innovation, and empowers entrepreneurs."

So far, Huntsman has remained in the low single digits in polls nationally and in New Hampshire, the first-in-the-nation primary state. The jobs plan could be Huntsman's opportunity to increase his standing as a candidate— and get his ideas out before Republican candidate Mitt Romney and President Obama, a Democrat, release their plans next week.

In addition to offering his own ideas, Huntsman used the speech to criticize President Obama for a lack of leadership. “The president believes that we can tax and spend and regulate our way to prosperity,” Huntsman said. “We cannot. We must compete our way to prosperity.”

He continued: “As the Obama administration has dithered, other nations are making the choices necessary to compete in the 21st Century.”

Huntsman said he would repeal both President Obama’s health care overhaul and the Dodd-Frank financial regulatory reform that Obama passed in reaction to the financial crisis.

“Rather than true financial reform, the American people were handed a 1,600 page monstrosity that gives unelected bureaucrats unprecedented and unreviewable power,” Huntsman said.

Huntsman argued for less government intervention on the regulatory front. Huntsman said he would privatize Fannie Mae and Freddie Mac, the federal organizations that provide money for mortgages, while scaling back subsidies for home ownership. He pledged to rein in the authority of other federal agencies, including the Environmental Protection Agency and National Labor Relations Board, and make organizations like the Food and Drug Administration and the US Patent Office more efficient. He would repeal Sarbanes/Oxley law that established new standards for accounting in the wake of the Enron scandal.

In his plan, Huntsman also stressed the need for expedited review and approval of energy projects to develop oil and gas reserves in the Gulf of Mexico, Alaska, Canada and across the United States. Huntsman said he supports fracking, a technology for recovering natural gas that has been criticized for its environmental and health impacts. He would eliminate subsidies that support the use of foreign oil.

Huntsman, a deputy US trade representative in President George W. Bush’s administration, pledged to act on pending trade agreements with South Korea, Colombia and Panama – and pursue trade opportunities in Japan, India and Taiwan.

The most drastic change would be in the tax code.

Chris Edwards, director of tax policy studies for the free market Cato Institute, said Huntsman’s plan is a typical illustration of the theory that helping

businesses grow will help the economy. “The purpose is to promote economic growth by reducing the burden on businesses and entrepreneurs,” Edwards said.

Roberton Williams, a senior fellow at the non-partisan Tax Policy Center, who previously worked for the Congressional Budget Office, said the plan appears to offer more benefits to wealthier individuals. “As presented, it would almost certainly benefit people at the top end better than people in the bottom end,” Williams said.

For example, Williams said, wealthy people get a much higher percentage of their income from capital gains and dividends than poorer people. “If you got rid of taxes on capital gains and dividends, people at the top of the income distribution would make out like bandits,” Williams said

The Huntsman tax plan would eliminate all loopholes, deductions and tax expenditures. These tax breaks add up to nearly \$1.2 trillion a year. Some are corporate subsidies, which help industries like oil or ethanol. Others benefit homeowners or low-income families. There is a tax credit for every child in a family, a credit for low-income workers, deductions for charitable contributions, deductions for mortgages, exemptions for old age, and an exclusion that lets people avoid paying taxes on health insurance premiums paid by employers.

Williams said in the long-term, it makes sense to get rid of loopholes, which use the tax system to influence people’s behavior. But in the short-term eliminating credits could disrupt markets. For example, a homeowner may have bought a bigger house, which he can only afford if the tax break persists.

President Obama’s bipartisan Bowles-Simpson commission made a similar recommendation to lower tax rates while eliminating loopholes. But the commission would have eliminated only corporate loopholes, while keeping in place tax credits that help average individuals: including deductions for low-income workers and families, mortgage interest, charitable giving, pensions and employer-provided health insurance. Huntsman would eliminate all credits.

I’m going to drop a plan on the front steps of the Capitol that says, “We need to clean house,” Huntsman said. “Get rid of all tax expenditures, all loopholes, all deductions, all subsidies, all corporate welfare. Use that to lower rates across the board. And do it on a revenue-neutral basis.”

However, in speaking to reporters, Huntsman implied that he would be open to reconsidering some of the impacts on low-income individuals, and called the current plan “a negotiating position.”

Huntsman would use the revenue from eliminating loopholes to reduce the corporate tax rate to 25 percent, from a current top rate of 35 percent. Huntsman would simplify and lower individual tax rates, creating three tax brackets – 8 percent, 14 percent and 23 percent. Today, there are six brackets, ranging from 10 percent to 35 percent.

Huntsman has talked repeatedly about the need to spur entrepreneurship and business investment, to create a “new industrial revolution,” and economists say his tax plan is consistent with those goals. For example, lowering the corporate tax rate, now the second-highest in the industrialized world, would bring America’s rates more in line with its trading partners. Eliminating the capital gains tax could encourage investment in new businesses, and offset losses from eliminating corporate tax breaks. Edwards said lowering the top individual tax rate is beneficial to small and medium size businesses, since business profits often are taxed through individuals. The alternative minimum tax – a tax aimed the rich which now hits many small businesses and middle class citizens – generally hits those earning over \$200,000.

At the same time, people who get tax refunds each year, due to child or low-income tax credits, would lose those breaks.

Michael Widmer, president of the Massachusetts Taxpayers Foundation, said he would like to know more about the plan’s impact on lower and middle class taxpayers. But Widmer said he gives Huntsman credit. “Over all, it’s a thoughtful proposal for reforming the federal tax code, which appropriately puts this issue at the center of the presidential campaign,” Widmer said.

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