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GOP presidential candidates, in shift from past, compete with bold tax plans

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This time four years ago, most Republican presidential candidates had said little about their tax platforms, let alone gone out on a limb with anything dramatic. Not so in 2015.

Not only has nearly everyone in the GOP field already detailed their position on taxes, their plans are surprisingly bold, some even featuring ideas previously taboo to the party.

Senators Ted Cruz (R-Texas) and Rand Paul (R-Ky.) are backing proposals for a European-style value-added tax, long a non-starter in Republican circles, though both men are careful not to label it as such.

Sen. Marco Rubio (R-Fla.) wants to greatly increase child tax credits and retired surgeon Ben Carson supports scrapping the sacred mortgage-interest deduction.

Most of the tax-cut plans would add to the deficit, but some, like Donald Trump's, are so large that even conservatives' jaws drop.

"Woo, wow... they're definitely pushing the envelope," said Daniel J. Mitchell, a senior fellow at the libertarian Cato Institute.

GOP candidates' ambitious, if unrealistic, tax proposals reflect the highly competitive nature of a Republican contest in which more than a dozen candidates are trying to one-up each other. In Tuesday's main GOP debate in Milwaukee, the eight contestants talked more about taxes than any other single issue, mentioning the word "tax" at least 90 times, more than double the number of references to "jobs" or "immigration."

"Cutting taxes is one of the few big things that unites the GOP's factions," said Larry J. Sabato, director of the Center for Politics at the University of Virginia. "So it makes sense that the candidates are playing a game of 'Top this.'"

Along with immigration policy, which has splintered the candidates, U.S. tax reform figures to be at the top of the Republican economic-political agenda, analysts say, and the issue could play an important role in the general election.

Leading Democratic candidates have yet to unveil comprehensive plans on personal income and corporate taxes, but what front-runner Hillary Rodham Clinton and Sen. Bernie Sanders of Vermont have said indicates they would boost taxes for top earners.

Clinton, for example, has talked about upping the capital gains tax and Sanders would raise the investment income surtax and establish a financial transaction tax for corporations, said Kyle Pomerleau, director of federal projects at the nonpartisan Tax Foundation in Washington. Hence, Democratic ideas on taxes will draw a sharp contrast with their GOP opponents' and, judging by the latest polls, could give them an edge in a general contest.

Nearly two-thirds of voters favored "increasing taxes on wealthy Americans and large corporations in order to help reduce income inequality in the U.S.," according to a New York Times/CBS News survey released this week.

For Republican candidates, who have traditionally talked more about taxes than Democrats, they may be even more pumped up on the issue as it's seen in the context of an overhaul of U.S. tax policy, which most everyone agrees is too complex and riddled with special deductions and exclusions. Carly Fiorina, the businesswoman, wants the tax code to be boiled down to three pages.

"One of the things Republicans believe is that the tax code can be reformed to help the economy along," says Pomerleau.

And in keeping with GOP orthodoxy, all of their proposals trumpet lower taxes and a simpler tax code. But beyond that are some sharp and surprising differences.

Cruz and Paul are advocating a flat tax on individual income -- rates of 10% and 14.5%, respectively, compared with the current graduated scale that tops out at 39.6%. They also both want to get rid of the corporate income tax and replace it with a value-added tax, though they don't use that term.

Referring to it instead as a "business flat tax" or "business activity tax," the VAT would be levied on the "value added" at each stage of production, although ultimately it would be paid by consumers as the tax is built into prices.

Republicans have long regarded the VAT with suspicion as it's most commonly linked with nations such as France to finance what conservatives see as big-government, welfare states.

"The consensus, mainstream GOP view a year ago would have said the VAT is complete poison," Cato's Mitchell said. What's behind the shift? He reckons it's all part of the ideological battle that's tilted the GOP from the establishment-oriented moderate policies of Republican

nominee Mitt Romney four years ago more toward the small-government ideas and libertarian influence of the tea party.

Like Cruz and Paul, Carson also has endorsed a flat tax, basing it on the biblical principle of tithing, or 10% of income, though he has since said the actual rate could be different. But unlike the other candidates, Carson on Tuesday proposed an outright elimination of tax breaks for charitable contributions and mortgage interest payments. The retired neurosurgeon may hear an earful of opposition, especially on discarding the time-honored mortgage interest deduction, which has been around since 1913 and was one of the contentious issues that helped muck up efforts at tax overhaul in Obama's first term.

Meanwhile, Rubio's plan would create two tax brackets for individuals – 15% and 35% (down from seven brackets today). He would scrap capital gains taxes for new investments, benefiting the rich, but the Florida senator also wants to increase the child tax credit by an additional \$2,500 against income and payroll taxes. In fact, Rubio's proposal would help those in the bottom the most, according to the Tax Foundation, followed by top earners, while middle-income earners would see the smallest gain in after-tax incomes.

Some of the other candidates' plans, including those of Trump and Jeb Bush, the former Florida governor, are somewhat more conventional, but theirs may be more distinctive for their assumptions and scale of tax cuts, which would widen the deficit more deeply than Romney was willing to advocate in 2012.

Trump's proposal tops them all in terms of what his tax cuts would cost in government revenues - between \$10 trillion and \$12 trillion over a decade, by the Tax Foundation's estimate. As unorthodox or wildly unrealistic as some of these tax plans may be, economist Mark Zandi of Moody's Analytics says he still finds them overall to be "therapeutic" in that they're opening up the discussions to where nothing's off limits.

Of course, he says, it would be a totally different matter if one of them actually became president and had to execute on the idea. One of the most distinctive features uniting the candidates' plans is that there's very little in them about how they would balance the budget.

"They're massive cuts," Zandi says. "It's hard to make it all add up."