Tax-reform Plan Called “Tremendous” by Trump, “Fake Math” by Schumer

In unveiling the tax reform “framework” cobbled together by the Trump administration, the House Ways and Means Committee, and the Senate Finance Committee on Wednesday, President Trump called it “tremendous”: “This is a tremendous change, and the biggest winners will be the everyday American workers as jobs start pouring into our country, as companies start competing for American labor and as wages start going up [to] levels you haven’t seen in many years.”

On cue, House Minority Leader Nancy Pelosi (D-Calif.) expressed her concerns about deficits, perhaps for the first time in her political career: “Make no mistake: After [the] Republicans’ tax plan blows a multi-trillion-dollar hole in the deficit [budget], they will sharpen their knives for [cuts in] Social Security, Medicare [and] Medicaid.”

Senate Minority Leader Charles Schumer (D-N.Y.) took aim at the “dynamic scoring” the framework invokes as a way to pay for the tax cuts: “Dynamic scoring is fake math. It’s just made-up fake math to hide another deficit-busting tax cut to benefit the wealthiest Republicans.”

That “dynamic scoring” — otherwise known as “supply-side” economics — is a good thing, according to Roy Cordato, senior economist with The John Locke Foundation: “Overall, this plan is standard supply-side fare and should give rise to sustained economic growth and wealth creation for all Americans.”

The nine-page framework includes reducing the current seven tax brackets to three — 12 percent, 25 percent, and 35 percent — with the possibility of a fourth higher top rate, to make sure that the wealthy “pay their fair share.” It would repeal the estate or “death” tax and the Alternative Minimum Tax (AMT), it would cut the maximum tax rate for small and family-owned businesses to 25 percent, it would reduce the top corporate tax rate from 35 percent to 20 percent, and it would provide a one-time low (but unspecified) tax for capital held overseas that is repatriated to the United States. Nothing is mentioned in the framework about reducing or eliminating the onerous capital-gains tax that punishes capital accumulation rather than encouraging it.

Nevertheless, if passed in its present form, the framework “would be one of the largest tax cuts in the past century,” according to Heartland Institute Research Fellow Justin Hopkins, “and perhaps the most important economic policy change of the past three decades. By simplifying and flattening the tax code and lowering the tax rates on businesses, millions of new, high-quality jobs would be created, benefitting everyone in society.”

There are other advantages, too: The elimination of many special incentives, deductions, and credits would keep Congress from being able to “fine tune” the economy by rewarding special interests. And more taxpayers would be able to file their returns “on a postcard,” as promised by the president during his campaign. Gary Wolfram, economics professor at Hillsdale College, said that “eliminating various deductions and credits reduces the ability of government planners to drive spending into the sectors they approve of.… Most individuals would be able to do their taxes without the assistance of a paid professional."

The framework is still "progressive," however, meaning that rates go up as incomes go up — a hat-tip to the socialist concept that those "getting wealthy off the labors of the poor workers" should be forced to give some, most, or in extreme cases, all, of their ill-gotten gains to those workers. As the framework itself clearly said, "the reformed tax code is at least as progressive as the existing tax code and does not shift the tax burden from high-income to lower- and middle-income taxpayers."

Not all deductions will be eliminated if the framework is adopted, however. Tax incentives through mortgage-interest deductions will remain in place, allowing taxpayers to purchase more house than they can afford by writing off those deductions. And charitable deductions will still be allowed, so that "dependence on government … charitable giving" will be reduced, according to the framework's authors. And increased incentives to save for retirement will be expanded, but without any details being provided by the framework.

The framework claims that, if it is adopted, "domestic manufacturers will see the lowest marginal taxes in almost 80 years" but that the law finally enacted "will provide little opportunity for tax avoidance," another slap at the very people with capital who risk it daily in their attempt to provide products and services to their customers.

Unfortunately, what eventually arrives on the president's desk months from now might look nothing like the framework, but could very well be the result of the back-room dealing and sausage-making for which Congress is infamous.

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