

TAX POLICY


2012 might be a year when the November election returns are directly tied to voters’ tax returns.

Given the sour state of the national economy and the slow rate of recovery, issues related to job creation, business climate and tax policy are being joined at the hip as voters approach next year’s presidential election.

The first order of business, however, is for Republicans to select a standard-bearer they hope can successfully take back the White House next November and make Democrat Barack Obama a one-term president.


Key to that process for Republicans is choosing a candidate who offers the best plan for leading an economic renaissance that includes lower taxes and fewer government regulations they see as necessary to unfetter America’s entrepreneurial spirit and innovation.

THE CANDIDATES’ VIEWS




Bachmann

Eliminates estate tax; provides short-term tax holiday for U.S. companies operating overseas that repatriate their profits followed by 5 percent rate on investment money kept here permanently; revamps corporate tax code to be fairer and simpler; cuts the number of tax brackets and requires everyone to pay some level of tax.




Gingrich

Gives option to file personal income taxes under the current system or pay a flat 15 percent tax on a single-page return that would retain deductions for charity and home ownership; cut corporate tax rate to 12.5 percent; eliminate estate tax and tax on capital gains; allow companies to accelerate tax write-offs for new equipment purchases.




Paul

Ends Internal Revenue Service and eliminates the federal income tax but would consider national sales tax or some excise taxes and tariffs to raise revenue; reduces corporate tax rate to 15 percent to improve America’s competitive position globally; ends tax on repatriated assets made overseas to spur capital for U.S. investment; extends Bush-era tax cuts for all income brackets.




Perry

Offers taxpayers a choice of paying under the current system or under a new flat tax of 20 percent on income. Those who opt for the flat tax would pay no taxes on Social Security, dividends, capital gains and interest, but still would deduct mortgage interest, charitable donations and state and local taxes.



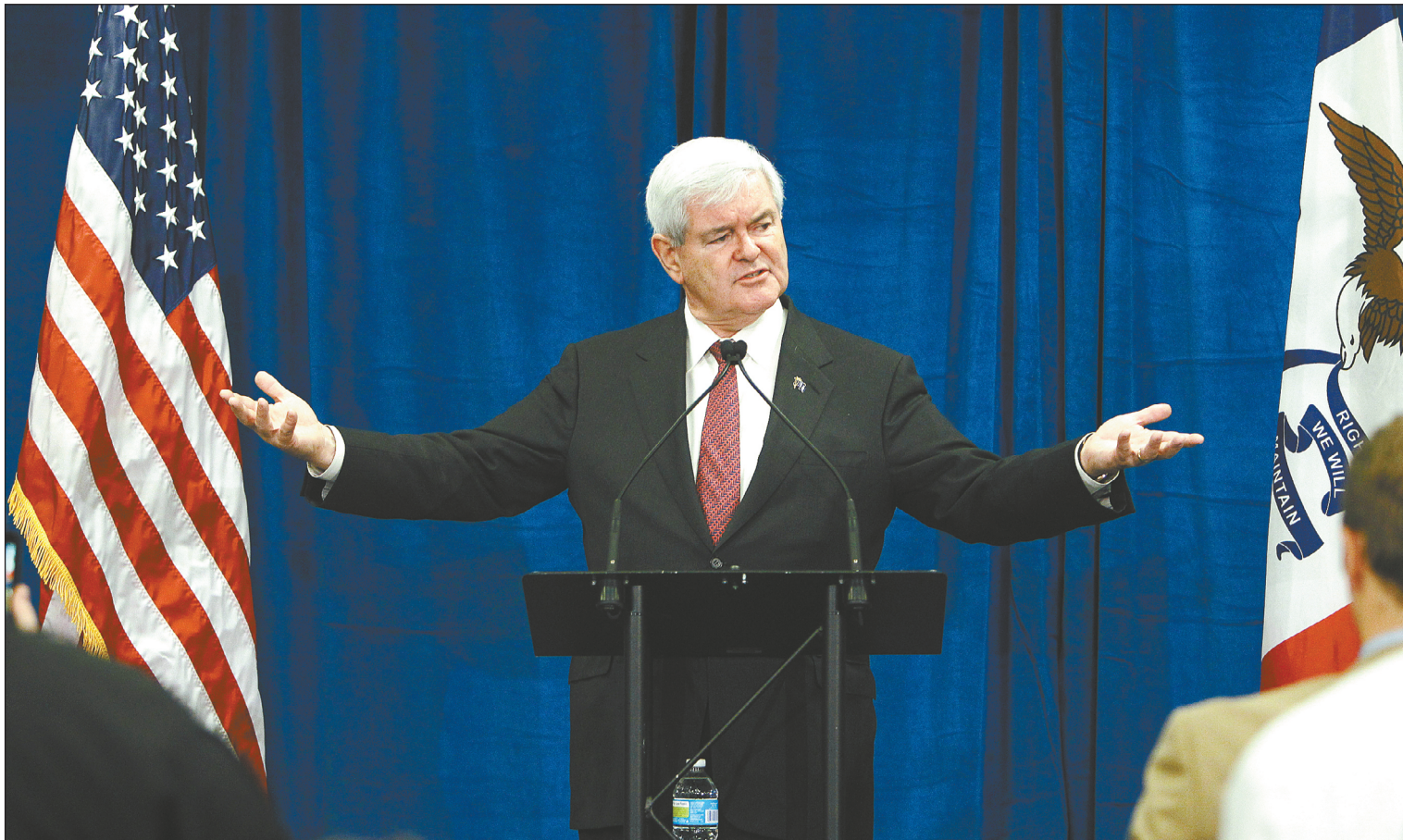
Romney

Cuts corporate tax rate to 25 percent to boost America’s worldwide competitive position; makes Bush-era tax cuts permanent for all income brackets; opposes national sales tax; eliminates estate tax and taxes on interest, dividends, capital gains or savings for anyone with yearly adjusted gross income under \$200,000; closes loopholes to keep tax changes “revenue neutral.”



Santorum

Eliminates corporate tax on manufacturers who make domestic products; allows U.S. companies to repatriate capital without additional taxation to spur new investment; ends regulations placed on business by the Obama administration.



Former House Speaker Newt Gingrich speaks during a recent meeting with employees at Nationwide Insurance in Des Moines. Gingrich has proposed giving taxpayers the choice of using the current system or pay a 15 percent flat tax.

Tax policy debate takes ‘center stage’

Candidates carry wide-ranging views on changes

By Rod Boshart
Gazette Des Moines Bureau

DES MOINES — Long-time tax discount devotee Kevin McLaughlin feels like a voice crying in the wilderness that might finally be heard.

McLaughlin, an investment adviser who chairs the Polk County Republican Party, is encouraged by the tax-cut proposals being touted by the field of GOP presidential candidates. He’s hopeful that high unemployment and prolonged economic malaise shrouding Washington may spur action that enables citizens and businesses to keep more of their money from flowing to an increasingly dysfunctional government.

“There are a host of Republican candidates who get it,” said McLaughlin, likening efforts to jump-start the U.S. economy without reforming federal taxes to make them simpler and flatter to “building a jet engine and not putting any fuel in it.”

Fueling America’s economic rebound and creating jobs are the primary focus of GOP contenders competing for the right to face Democrat Barack Obama in the 2012 general election. But that conversation has become fused with demands for tax and regulatory reform as Iowa Republicans prepare to make the first cut in the 2012 presidential nominating process.

The winnowing process

already is under way even before Iowans deliver their Jan. 3 verdict with Georgia businessman Herman Cain deciding to suspend his campaign. That development reshaped the tax policy debate by sidelining the proponent of a major “9-9-9” overhaul of the federal system loaded with what he called “thousands of hidden sneak a-taxes” that are hurting U.S. businesses.

The proposals from the remaining GOP field range from eliminating or reducing corporate income taxes, scrapping estate taxes and taxes on inheritances, providing simplified or flat-tax options or doing away with the Internal Revenue Service and eliminating the federal income tax, as Texas U.S. Rep. Ron Paul has proposed. Proposals also call for considering national sales tax or some excise taxes and tariffs to raise revenue needed to operate the government.

“We’ve seen tax policy take a fairly center stage in some of the presidential debate going on so far,” said Matt Strawn, chairman of the Republican Party of Iowa. “I think for economic conservatives looking for some differentiation among the candidates that tax and economic policy is a great place to start.”

Texas Gov. Rick Perry and former House Speaker Newt Gingrich have proposed an optional flat tax, which would let people choose between continuing to use the current system for computing their income taxes or paying a flat rate — 20 percent under Perry’s plan and 15 percent under Gingrich’s approach — while allowing some deductions on

taxes for expenses such as mortgage interest or charitable giving.

Former Massachusetts Gov. Mitt Romney advocates extending the tax cuts established under former President George W. Bush to maintain the current top marginal income-tax rate of 35 percent, and he is seeking to exempt taxpayers earning less than \$200,000 a year from paying taxes on capital gains, dividends or interest.

Paul, Minnesota U.S. Rep. Michele Bachmann and former Pennsylvania Sen. Rick Santorum have pushed for ending taxes on repatriated assets made overseas as a way to spur capital for U.S. investment. Santorum wants to eliminate corporate taxes on manufacturers who make domestic products, and all the GOP candidates are pledging to end or ease the regulations placed on business by the Obama administration that they say are stifling innovation and entrepreneurship.

Strawn said the future course of tax policy will be a major front in the 2012 battle for control of the White House.

“You’ve already seen signs of that from the Democratic campaign efforts both here in Iowa and nationally with Obama’s advisers,” he said. “Instead of the uniter that he ran as in 2008, it’s very clear the president’s re-election strategy is going to try to divide Americans against each into classes, and I think that’s unfortunate.”

The problem, said Iowa Democratic Party chairwoman Sue Dvorsky, is the GOP field has become “an echo chamber” for congressional Republicans who are refusing to discuss any federal budget or debt solution that

would include “a more fair tax policy for millionaires and billionaires.” She pointed to independent studies that indicate many of the GOP tax plans will benefit the wealthiest taxpayers.

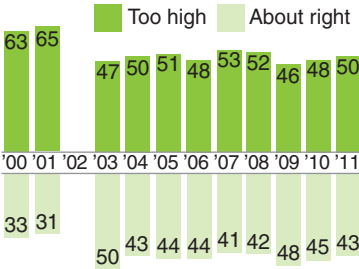
“They always say we want to play class warfare when we point out the very real fact of the matter that over the last 20 or 30 years, there has been an increasing disparity of tax policies to continue this widening gap and a crushing burden on the middle class,” Dvorsky said.

Iowa tea party leader Ryan Rhodes said the debate in Washington starts from a flawed political premise that tax money is government money that it lends back to the people. In reality, “every single dime that is made by the taxpayer is the taxpayer’s money, and they give money to the government to be a steward of,” he said. The focus has to be on fiscal responsibility and shrinking government, not increasing taxes, he added.

University of Iowa political science associate professor Tim Hagle said, however, there is less flexibility in economic affairs now than in the 1990s. The political parties are much more polarized and federal spending is much more out of control, making it harder to find workable solutions to break the impasse. Also, he said, former President George H.W. Bush agreed to tax increases as part of a balanced budget solution, but “the cuts never came,” so Republicans are determined not to go down that road again.

“It’s the details that get sticky,” Hagle said.

IS THE AMOUNT OF TAX YOU PAY TOO HIGH, ABOUT RIGHT OR TOO LOW?



NOTE: percent saying “too low” not shown
Source: Gallup

PERCEPTIONS OF TAXES PAID BY INCOME GROUPS, CORPORATIONS

| | TOO MUCH | FAIR SHARE | TOO LITTLE |
|---------------|----------|------------|------------|
| Middle-income | 44% | 50% | 5% |
| Lower-income | 40 | 37 | 21 |
| Upper-income | 13 | 25 | 59 |
| Corporations | 9 | 20 | 67 |

Source: April 7-11 Gallup poll

VIEWS ABOUT OWN TAXES BY INCOME

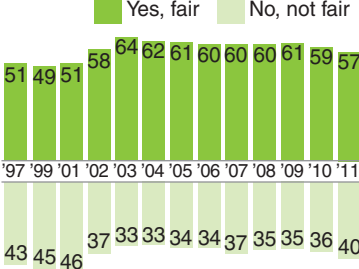
| By annual household income | <\$30K | 30-49K | 50-99K | 100-249K | >250K |
|----------------------------|--------|--------|--------|----------|-------|
| Too high | 45 | 49 | 51 | 54 | 67 |
| About right | 43 | 47 | 47 | 43 | 26 |
| Too low | 4 | 2 | 2 | 3 | 6 |

| | | | | | |
|--------------|----|----|----|----|----|
| Yes, fair | 60 | 63 | 60 | 59 | 44 |
| No, not fair | 31 | 34 | 38 | 40 | 55 |

PERCEPTIONS OF TAXES PAID BY INCOME GROUPS

| By annual household income | <\$30K | 30-49K | 50-99K | 100-249K | >250K |
|----------------------------|--------|--------|--------|----------|-------|
| UPPER-INCOME PEOPLE | | | | | |
| Fair share | 19 | 21 | 25 | 29 | 30 |
| Too much | 8 | 9 | 10 | 15 | 38 |
| Too little | 67 | 67 | 64 | 55 | 30 |
| MIDDLE-INCOME PEOPLE | | | | | |
| Fair share | 48 | 50 | 50 | 51 | 48 |
| Too much | 39 | 43 | 46 | 46 | 45 |
| Too little | 10 | 5 | 2 | 2 | 7 |
| LOWER-INCOME PEOPLE | | | | | |
| Fair share | 28 | 35 | 42 | 43 | 46 |
| Too much | 56 | 48 | 39 | 36 | 25 |
| Too little | 13 | 14 | 17 | 18 | 26 |

DO YOU REGARD THE INCOME TAX YOU WILL HAVE TO PAY AS FAIR?



Source: Gallup

BY THE NUMBERS

20 percent flat tax proposed by Texas Gov. Rick Perry.

15 percent flat tax proposed by former House Speaker Newt Gingrich.

\$200,000 Taxpayers earning less than that a year would be exempt from paying tax on capital gains, dividends, or interest.