



Obama, Romney, Santorum, and Gingrich Fall Short on Tax 'Reform'

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The candidates' economic policies are a hodgepodge of window dressing, shell games, and irrelevant tweaks. And this includes the president, who has found another bad idea on which to double-down: the alternative minimum tax, or AMT. Each year the AMT—a tax that was instituted in the 1960s to capture 158 multimillionaires—threatens to bring its financial house of cards down on millions of middle-class Americans.

The president is suggesting a new alternative minimum tax—a 30 percent minimum tax on individuals making more than \$1 million. But, why stop there? According to the Congressional Budget Office, the top 1 percent already pay an average federal income tax rate of 19 percent versus 3 percent for the middle-class. If the president truly believes that the rich don't pay their fair share, then perhaps we need a definition of what "fair" is, so we'll know when we reach it.

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Meanwhile, on the other side of the aisle, former Massachusetts Gov. Mitt Romney and former Pennsylvania Sen. Rick Santorum would each cut the top income tax rate to from 35 percent to 28 percent. Former House Speaker Newt Gingrich, in a move sure to draw puzzled expressions from economists everywhere, would impose an optional single tax rate of 15 percent. The word "optional" takes Gingrich's plan from intriguing to laughable. By making the plan optional, all that happens is those who are smart enough to negotiate the intricate tax code (or rich enough to pay someone to do it for them) will choose the cheaper plan. In the end, the 15 percent plan merely adds to an already complex tax code by providing yet one more set of calculations to consider when preparing our taxes.

On the corporate tax front, Obama claims that he wants to cut corporate tax rates and end tax credits and subsidies. Buried in the fine print is that he wants to do these things selectively for politically-favored industries. Some industries, like manufacturing, will see tax cuts, and some industries, like oil and gas, will see reduced credits and subsidies. This isn't a plan to end corporate welfare. It's a plan to redirect corporate welfare.

The government is notoriously bad at figuring out what companies will create jobs (see Solyndra and LightSquared), because the government is notoriously bad at understanding how businesses and markets function (see Fannie Mae, Freddie Mac, the GM bailout, and pretty much all of Wall Street). The best thing government can do to help create jobs is to stop trying to create jobs.

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There is much misconception among non-economists about corporate taxes. Corporations don't pay taxes. People pay taxes to corporations and the corporations pass those taxes on to the government. When the government taxes a corporation, the corporation must do one (or a combination) of three things: (1) pay their workers less, (2) charge their customers more, or (3) provide their stockholders with a lesser return. In all three cases, it is people—workers, customers, or investors—who pay for the tax. Corporate taxes create an illusion that it's not people who are paying the tax.

The Real Problem

Most of the political debate involves tinkering with the tax code. This is like arguing which finger is best to stick in a leaking dam. As big of a headache and economic drag as the tax code is, it isn't what ails us. The elephant in the room is spending.

It is mathematically impossible for the federal government to continue the way it has been going. Forget about cutting a program here or closing a military base there. If we were to shut down the entire federal government save for Social Security, Medicare, and interest payments on the debt, we still wouldn't be able to balance the budget. It's not a question of whether we can afford this program or that program. We can't afford *any* of the programs. That is, unless we're willing to reform Social Security and Medicare, and Rep. Ron Paul is the only candidate who offers real reform in this area.

Personal Income Tax	
Obama	Increase tax on those earning over \$200,000. Impose a new alternative minimum tax of 30% on those making over \$1 million.
Romney	Cut the top tax rate to 28%.
Santorum	Cut the top tax rate to 28%
Gingrich	Institute an optional 15% flat tax.
Paul	Extend the Bush tax cuts.

Corporate Income Tax	
Obama	Tax US corporations' foreign earnings. Eliminate (some) corporate tax benefits and subsidies. Reduce the corporate tax rate for (some) industries.
Romney	Eliminate tax loopholes for some industries. Cut the tax rate to 25%
Santorum	Cut the tax rate to 17.5%
Gingrich	Cut the tax rate to 12.5%
Paul	Cut the tax rate to 15%

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