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Why Are Republicans Making Tax Reform So Hard?

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In the aftermath of the health care blowup, President Trump and the Republicans need a legislative victory. Tax reform probably should have gone first, but now is the time to move it forward with urgency.

Unfortunately, the White House seems all over the map on the subject. One day there is a trial balloon for a value-added tax. The next, the idea of a carbon tax or a reciprocal tax. And now we are hearing the curve ball of a payroll tax cut. Steve Mnuchin, the Treasury secretary, has thrown cold water on the idea of any tax bill meeting the August deadline.

One sure lesson from the health care setback is the old admonition “Keep it simple, stupid.” The Republicans tried to fix the trillion-dollar health insurance market instead of keeping the focus on repealing Obamacare.

They have a chance to make amends with a new tax bill and still hit the August deadline. We advised President Trump during his election campaign and we believe

~~the Republicans. Don't's lesson for tax reform is this: Don't try to rewrite the entire tax~~

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Instead, the primary goal of Mr. Trump's first tax bill should be to fix the federal corporate and small-business tax system, which has made America increasingly uncompetitive in global markets and has reduced jobs and wages here at home. The White House and the Treasury already have a tax plan that we were involved with last year. The three most important planks of that plan are:

First, cut the federal corporate and small-business highest tax rate to 15 percent from 35 percent, which is now one of the highest corporate tax rates in the world.

Second, allow businesses to immediately deduct the full cost of their capital purchases. Full expensing of new factories, equipment and machinery will jump-start business investment, which since 2000 has grown at only one-third the rate recorded from 1950 to 2000.

Third, impose a low tax on the repatriation of foreign profits brought back to the United States. This could attract more than \$2 trillion to these shores, raising billions for the Treasury while creating new jobs and adding to the United States' gross domestic product.

To help win over Democratic votes in the House and Senate, we would also suggest another component: What many workers across the country want most from President Trump is infrastructure funding. As part of this bill, we should create a fund dedicated to rebuilding America's roads, highways, airports and pipelines, and modernizing the electric grid and broadband access — financed through the tax money raised from repatriation of foreign profits.

As much as possible, this bill should include private financing for projects like toll roads and energy drilling. We also favor "user pays" financing, such as toll roads, and we would oppose any Fannie Mae-type financing structure for projects that would put taxpayers on the hook for hundreds of billions in potential losses.

For this strategy to work, Republicans need to take several steps. First, President Trump and Paul Ryan, the speaker of the House, should stop insisting on "revenue neutrality." In the short term, the bill will add to the deficit. But President

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We should emphasize that business tax relief is not a sellout to corporations but a boon for middle-class workers. A study by the Tax Foundation and Kevin A. Hassett, then at the American Enterprise Institute and now the chairman of President Trump's Council of Economic Advisers, found that middle-class wages rise when business taxes fall.

The additional increase in real wages could be nearly 10 percent over the next decade, which would reverse 15 years of income stagnation for the working class in America. And, if we are right that tax cuts will spur the economy, then the faster economic growth as a result of the bill will bring down the deficit.

Next, Republicans should abandon the so-called border-adjustable tax. A border tax is a poison pill for the tax plan: It divides the very business groups that the party needs to rally behind tax reform. Retailers like Walmart will never go along. A carbon tax would be even worse. The best way to bring jobs back to America is to simply lower tax rates now while rolling back anti-jobs regulations, such as rules that inhibit American energy production.

As for fixing the maddeningly complex individual income tax system — lowering tax rates and ending needless deductions — we are all for it, but that should wait until 2018. Jobs and the economy are the top priority to voters.

Republicans need to act with some degree of urgency. The financial markets and American businesses are starting to get jittery over the prospect that a tax cut won't get done this year. A failure here would be negative for the economy and the stock market and could stall out the "Trump bounce" we have seen since the president's election.

Mr. Trump should demand that Congress send him a jobs bill this summer that he can sign into law on Aug. 13, 2017. That is the day President Reagan signed his historic tax cut in 1981 at his beloved Ranch del Cielo in Santa Barbara, Calif.

That tax cut and President Kennedy's before it unleashed two of the longest periods of prosperity in American history, and that is a result Donald Trump should

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