

# “TAX REFORM”: What Republicans Really Mean

## *H.R. 6169: The GOP Path to Rigging Tax Reform*

The GOP’s “pathway” is a path for the Chairman of the Ways & Means Committee to draft and certify a bill that would receive extraordinary fast track procedures with virtually no limit on what could be contained in it.

The GOP has promised that its fast track bill would contain “at least” four proposals based on the Ryan budget, in addition to the repeal of the AMT. Together, these four provisions would shift the tax burden from the wealthiest to the middle class and ship jobs overseas.

**GOP PROPOSAL:** “A consolidation of the current 6 individual income tax brackets into not more than two brackets of 10 and not more than 25 percent.”

### **WHAT IT REALLY MEANS:**

- The average millionaire would lock in an annual \$331,000 tax cut under the Ryan plan.
- To pay for these tax cuts, the Ryan plan would potentially eliminate provisions that are vital to the middle class, including tax deductions for mortgage interest, state and local taxes, and charitable contributions as well as the tax exclusions for employer-sponsored health insurance and contributions to 401(k) plans. [Source: [Joint Economic Committee](#)]
- The plan would necessarily have to raise taxes on middle class families by \$4,500.

**GOP PROPOSAL:** “A reduction in the corporate tax rate to not greater than 25 percent”

### **WHAT IT REALLY MEANS:**

- Eliminating every corporate tax credit and deduction would generate only enough savings to reduce the corporate tax rate to 28 percent.
- To get to even 28 percent, the Republican tax plan would require wiping out every provision in the tax code that encourages domestic job creation, investment and innovation. [Source: [Joint Committee on Taxation](#)]
- In order to raise additional revenue for a corporate tax cut, will the Republicans go after individuals or small businesses?

**GOP PROPOSAL:** “A broadening of the tax base to maintain revenue between 18 and 19 percent of the economy”

**WHAT IT REALLY MEANS:**

- The GOP plan simply would not raise enough revenue to fund national priorities. Federal revenues averaged 20 percent of GDP in the five years since World War II that we have balanced the federal budget.
- Federal spending under President Reagan averaged 22 percent of GDP at a time when no baby boomers were retired and health care costs were more than one-third lower as a share of the economy than they are today. [Source: [Center on Budget and Policy Priorities](#)]

**GOP PROPOSAL:** “Change from a ‘worldwide’ to a ‘territorial’ system of taxation”

**WHAT IT REALLY MEANS:**

- The proposal would do nothing to benefit purely domestic businesses and could increase the incentive to shift income and jobs offshore.
- “Under a pure territorial tax system, the tax incentive to locate jobs in low-tax countries would increase significantly, which I calculate would increase employment in low-tax countries by about 800,000 jobs.” [Source: Economist Kim Clausing in Tax Notes, 7/16/12]

**WHAT DEMOCRATS WOULD DO**

The Democratic Alternative would set up a fair and open process based on principles that strengthen the middle class and working families, promote US economic growth and job creation and support balanced deficit reduction.