



# The 2016 Election and Prospects for Tax Reform

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*Any views expressed are mine alone.*

## The Good, the Bad, and the Ugly of Campaign 2016



### ***The Good***

- Lots of radical ideas worthy of debate
  - Replace income tax with consumption tax
  - Financial transaction tax
  - Carbon tax
- Surprisingly detailed tax proposals from most candidates
  - Lots of teachable moments

## The Bad

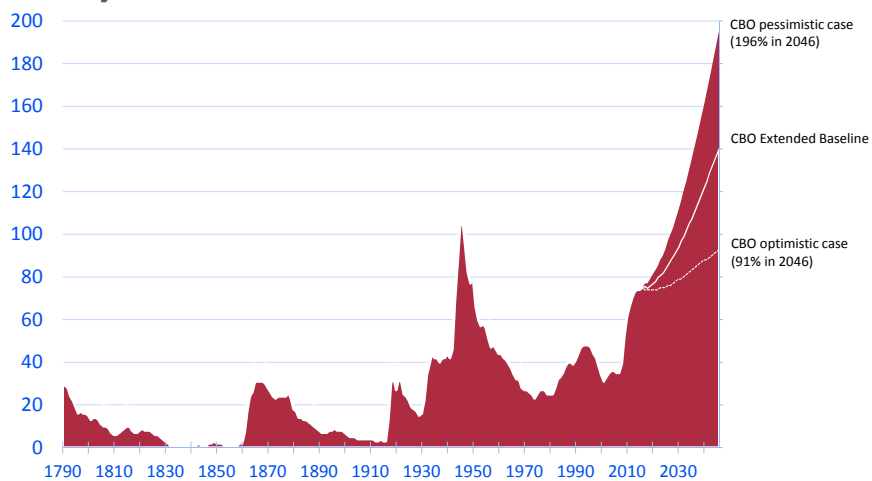


- Giant tax cuts with no plausible way of offsetting the revenue loss
  - Especially problematic in light of growing pressures on the budget from aging baby boomers and rising health care costs
  - Candidates insisted their plans were fiscally responsible, but the numbers just didn't add up

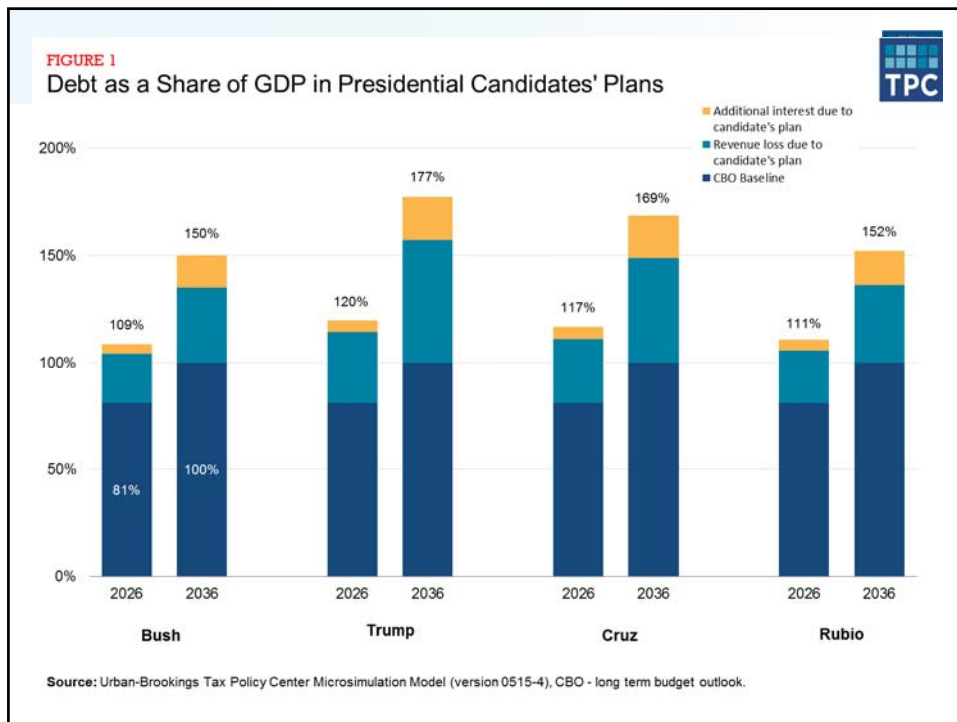
## The Elephant in the Room



Debt Held by the Public as % of GDP



Source: CBO Long-Term Budget Outlook, 2016.



## The Ugly

- Ultimate presidential candidates' tax proposals were short on innovation.
- Clinton proposal would have made tax code more progressive and raised revenue, but also made code more complex
- Clinton/Obama doctrine of never raising taxes on 95% of Americans would make individual tax reform very hard
  - Business tax reform possible because corporations aren't people. (Pols and voters don't understand tax incidence.)

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