



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

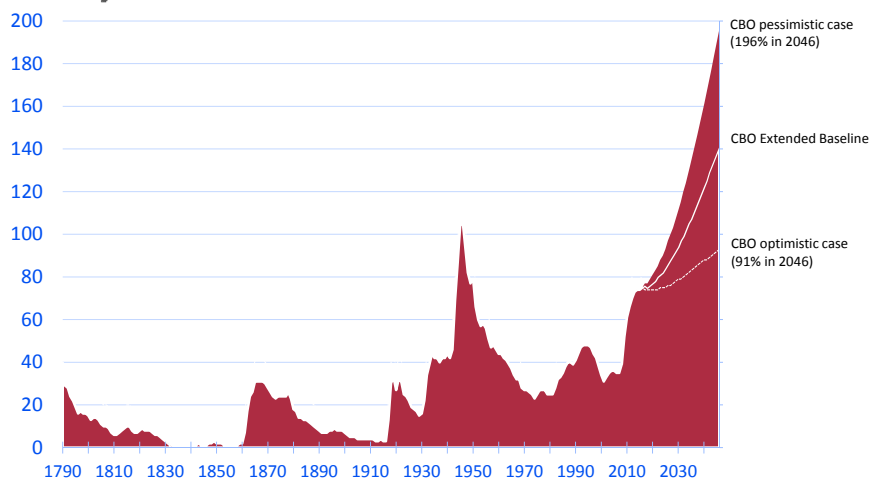


- Giant tax cuts with no plausible way of offsetting the revenue loss
 - Especially problematic in light of growing pressures on the budget from aging baby boomers and rising health care costs
 - Candidates insisted their plans were fiscally responsible, but the numbers just didn't add up

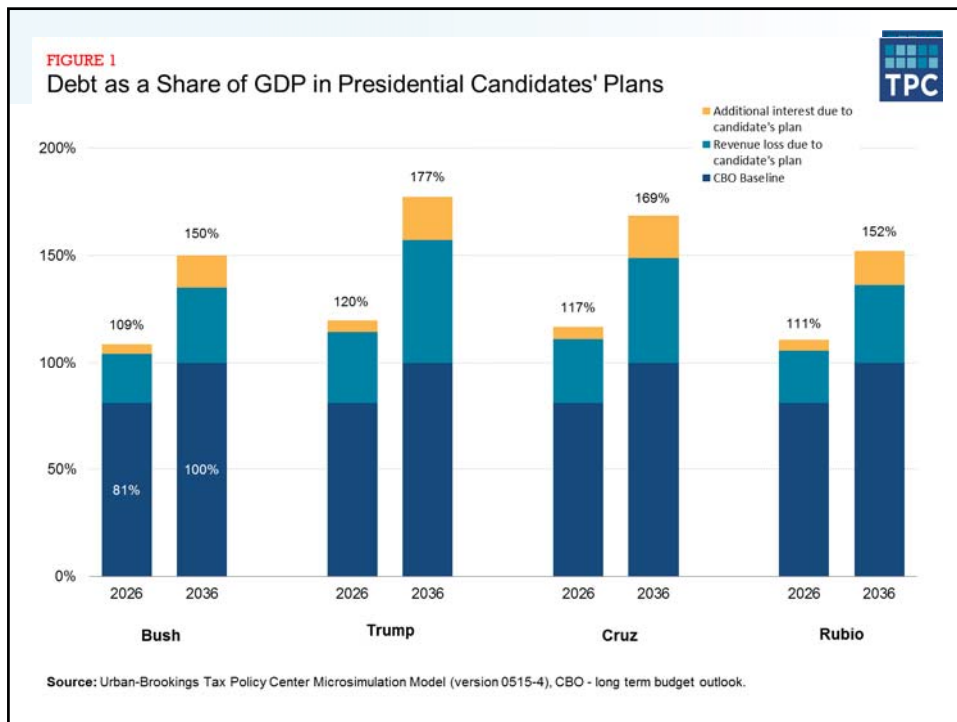
The Elephant in the Room



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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