

THE TAXONOMIST

Bush to Middle Class: Now for Some Bad News

By Robert S. McIntyre

Read my lips: I'll raise your taxes—a lot. Thus, paraphrased only slightly, speaks President Bush to Middle America on the campaign trail. Yet far too many of his intended middle-class victims don't seem to hold it against him. Or perhaps they haven't been listening hard enough.

In his speech to the Republican convention, Bush called for a “simpler, fairer, pro-growth [tax] system” and promised to “lead a bipartisan effort to reform and simplify the federal tax code” if he's reelected. Noble sentiments to be sure. Heck, I've devoted my career to exactly those goals. But anyone who's been paying attention knows that when Bush says “fairer” he means cutting taxes on the rich. When he says “simpler,” he means cutting taxes on the rich. And when he invokes economic growth, well, he means tax cuts not just for rich people but for corporations, too.

This time around, however, Bush says that he doesn't plan to put his tax cuts for the wealthy on the national credit card. A “senior administration official” told the *Washington Post* after the convention that Bush will insist that his tax overhaul plan be “revenue-neutral,” that is, raise just as much money as current law. So insofar as he succeeds in cutting taxes on the rich even further, Bush promises to raise taxes on everyone else to make up the difference.

Bush and his aides have dropped a few hints about the specific kinds of tax changes Bush wants to pursue. Speaking at an “Ask President Bush” event in Niceville, Florida in August, Bush called replacement of most federal taxes with a national sales tax “an interesting idea that we ought to explore seriously.” Likewise, at another such campaign forum in Broadview Heights, Ohio in September, Bush called scrapping personal and corporate income taxes in favor of a flat-rate wage tax “certainly one option.” Explaining why Bush believes that both a flat tax and a national sales tax deserve consideration, Bush aides emphasize that Bush likes the fact that such plans would essentially make interest, dividends, profits and capital gains tax-free.

Of course, exempting most of the income of the wealthy from tax and dropping graduated rates in favor of a single tax rate has to be a humongous tax cut for the rich. Since Bush promises no net revenue loss, how much more will everybody else will have to pay? My organiza-

tion recently ran the numbers on a national sales tax bill introduced in Congress—the idea that Bush found “interesting”—and found that it would saddle middle- and low-income families with average tax increases of \$3,000 to \$4,000 a year. We've done studies of the effects of a flat-rate wage tax, with similarly frightening results.

If you don't want to believe me, however, listen to what Bush's own Treasury Department had to say just two years ago about switching to a flat-rate wage tax or sales tax. Such change, said Treasury, “would necessarily reduce the tax burden on high-income individuals” and would thus be “unlikely to result in a tax as progressive as the current tax system.” Or if you'd like something even more straightforward, listen to the original authors of the Flat Tax (later promoted less honestly by Dick Armey and Steve Forbes), who admitted in their 1983 book: “Now for some bad news. . . . it is an obvious mathematical law that lower taxes on the successful will have to be made up by higher taxes on average people.”

You'd think that it might be a political liability to threaten to raise most people's taxes. Yet the presidential candidate most loudly charging his opponent with a plan to boost middle-class taxes is, well, Bush! At the GOP convention, Bush claimed that Kerry “is running on a platform of increasing taxes” on everyone, adding with no apparent sense of irony, “that's the kind of promise a politician usually keeps.”

Bush says there must be a “hidden Kerry tax plan” because Kerry's budget numbers don't add up absent either higher middle-class taxes or fewer new programs than Kerry has proposed. But Kerry actually proposes only to scale back Bush's tax cuts for the very rich. In contrast, Kerry has explicitly (albeit perhaps foolishly) ruled out raising taxes on 98 percent of Americans, and says he'll curb his spending plans if necessary to meet his budget goals.

It's easy to laugh at Bush for charging Kerry with harboring a “hidden” middle-class tax-increase plan, even as Bush makes such a proposal openly. But it may be no laughing matter. Remember that the last time Bush promised an irresponsible, unfair tax program during a campaign, it was enacted.

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