

## To pass tax cuts, GOP should talk of deficit-neutrality, not revenue-neutrality

By: *Jonathan Williams and Alfredo Ortiz*

Unless they change their messaging strategy, it will be *deja vu* for Congressional Republicans on their tax cut legislation. Just as the Congressional Budget Office killed Republicans' health care legislation this summer, it is poised to kill their tax cut plan this fall. Its finding that 23 million Americans would lose their health insurance under the Better Care Reconciliation Act dominated the news coverage of the proposal and sank the effort. Similarly, the CBO will almost surely find hundreds of billions of dollars of lost revenue under Republicans' tax cut proposal that will also dominate headlines and scuttle the legislation.

That's unless Republicans can shift the tax cut narrative away from being revenue neutral toward being deficit neutral.

While it might simply seem like an academic nuance, there is a world of difference between revenue neutral tax changes and deficit neutral tax changes. Navigating this seemingly small policy difference correctly could provide Congress and the Trump administration a solution that would ensure hardworking American taxpayers see a tax cut in 2017.

Tax reform supporters often fall into the classic Washington policy trap of revenue neutrality, which unfortunately has caused the demise of many noble tax reform efforts inside the Beltway. If policymakers adhere to the false revenue neutrality notion that all tax cuts must be matched, dollar for dollar with tax increases so that total revenue stays the same, they create far too many economic losers in the tax reform process and minimize the benefits to the economy. Numerous well-intentioned tax reform efforts have succumbed to that fate.

On the other hand, deficit neutral tax relief combines budget prioritization and actual tax cuts in a win-win formula and, as its name implies, does not add a penny to the deficit.

This tax relief model allows for private sector growth and innovation by reducing the overall tax burden on hardworking Americans. Deficit neutral tax changes provide real tax cuts for hardworking taxpayers, and by nature, bring discipline to the spending side of the ledger, which Office of Management and Budget Director Mick Mulvaney is trying to address with proposed budget cuts.

Advocates of big government will say some federal tax burdens should be increased as a part of "tax reform." Not only do they disregard the years of academic evidence that show taxes harm economic growth, they also like to brush aside the fact that the federal government does not have a revenue problem.

This month, the U.S. Treasury released new numbers on federal tax collections for the first 10 months of fiscal year 2017. According to reports, Uncle Sam set an all-time record for individual income tax receipts during that period, with more than \$1.3 trillion collected. The federal government does not suffer from a lack of revenue; it has a problem with overspending our hard-earned tax dollars.

Fiscal hawks should also be reminded of the fiscal benefits of tax cuts. Keeping more money in communities to be spent on Main Streets and less money shipped off to Washington to be spent on the federal workforce would be a massive economic stimulus. Consider the results of a new Job Creators Network nationwide poll of small business owners which found that most respondents would use their tax savings to raise wages, hire new employees, or expand their businesses. This economic boost would help the country get back to its historic three percent annual growth rate and help offset the cost of the tax cuts.

Republicans must get on the offensive now and argue not only that hardworking taxpayers deserve a tax cut but also that tax cuts need only be deficit neutral, not revenue neutral, in order to preempt the inevitable attack from the Congressional Budget Office.

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