



Citizens for
Tax Justice

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Contact:
Anne Singer
(202) 299-1066 x 27

GOP Presidential Candidates' Tax Plans Favor Richest in New Hampshire

The cost of the tax plans proposed by Republican presidential candidates would range from \$6.6 trillion to \$18 trillion over a decade. Of the tax cuts going to New Hampshire residents, the share going to the richest one percent would range from a third to 43 percent under these plans. The average tax cuts received by the richest one percent of the state's residents would be up to 200 times as large as the average tax cut received by middle-income residents of the state.

Three of the GOP candidates have announced tax plans in great enough detail to make possible estimates of the average tax cuts that taxpayers in different income groups would receive in 2014, when any plan enacted would be fully in effect. A fourth candidate (Rick Santorum) has provided less detail, so estimates shown here are preliminary and will be updated if and when he clarifies his tax plan. We found that in 2014:

- **Former House Speaker Newt Gingrich's** \$18.1 trillion tax plan would give the richest one percent of New Hampshire residents an average tax cut of \$387,280, which would be over 160 times as large as the average tax cut of \$2,380 that the middle fifth of the state's residents would receive.
- **Texas Governor Rick Perry's** \$10.5 trillion tax plan would give the richest one percent of New Hampshire residents an average tax cut of \$264,770, which would be over 200 times as large as the average tax cut of \$1,300 that the middle fifth of the state's residents would receive.
- **Former Massachusetts Governor Mitt Romney's** \$6.6 trillion tax plan would give the richest one percent of New Hampshire residents an average tax cut of \$125,900 which would be over 90 times as large as the average tax cut of \$1,400 that the middle fifth of the state's residents would receive.
- **Former Senator Rick Santorum's** \$9.4 trillion tax plan would give the richest one percent of New Hampshire residents an average tax cut of \$219,570, which would be over 90 times as large as the average tax cut of \$2,390 that the middle fifth of the state's residents would receive.

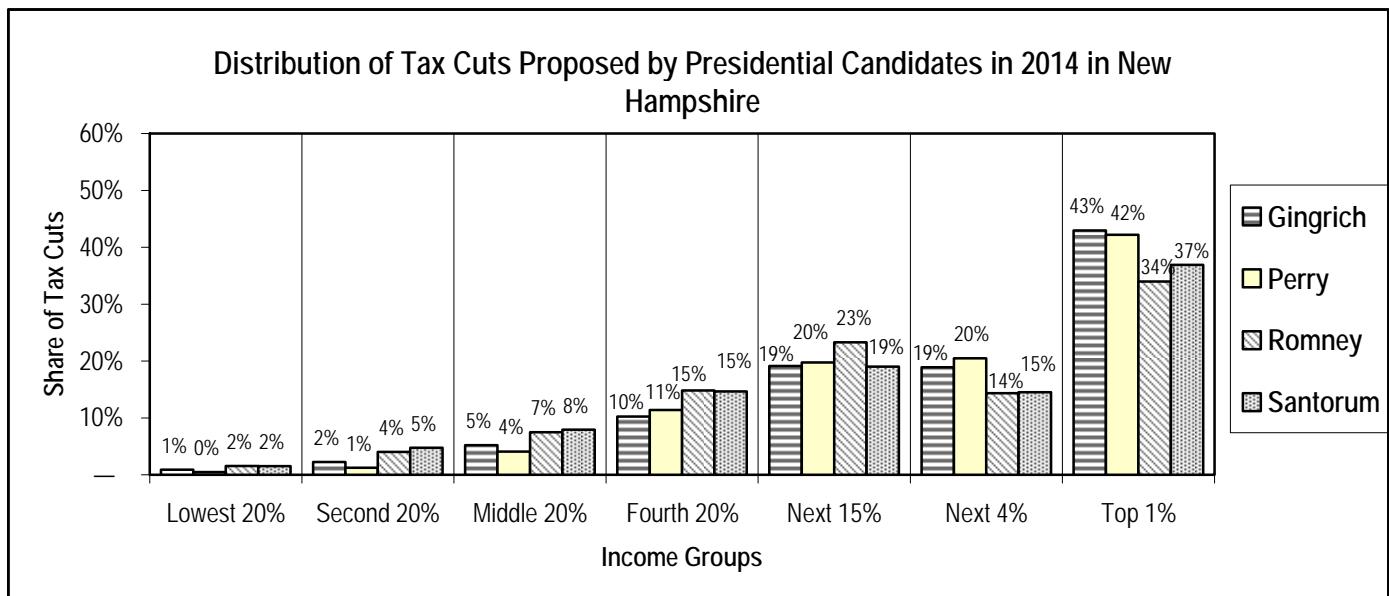
| Impacts of GOP Presidential Candidates' Tax Plans in 2014 in New Hampshire | | | | | | | | | | |
|--|----------------|--------------------|-------------|--------------------|-------------|--------------------|-------------|----------------------------|-------------|-----------------------------|
| State Taxpayers | | Gingrich Tax Plan | | Perry Tax Plan | | Romney Tax Plan | | Santorum Tax Plan (prelim) | | Paul Tax Plan |
| Income Group | Average Income | Average Tax Change | | Average Tax Change | | Average Tax Change | | Average Tax Change | | Average Tax Change |
| | | in Dollars | as % Income | in Dollars | as % Income | in Dollars | as % Income | in Dollars | as % Income | in Dollars |
| Lowest 20% | \$ 17,070 | \$ -400 | -2.3% | \$ -150 | -0.9% | \$ -290 | -1.7% | \$ -450 | -2.6% | Insufficient information. |
| Second 20% | 39,100 | -1,020 | -2.6% | -390 | -1.0% | -750 | -1.9% | -1,420 | -3.6% | Proposes repeal of the |
| Middle 20% | 61,580 | -2,380 | -3.9% | -1,300 | -2.1% | -1,400 | -2.3% | -2,390 | -3.9% | personal income tax and |
| Fourth 20% | 95,400 | -4,540 | -4.8% | -3,520 | -3.7% | -2,700 | -2.8% | -4,290 | -4.5% | possibly the enactment of a |
| Next 15% | 154,770 | -11,550 | -7.5% | -8,310 | -5.4% | -5,780 | -3.7% | -7,590 | -4.9% | national sales tax or "flat |
| Next 4% | 319,650 | -42,090 | -13.2% | -31,730 | -9.9% | -13,120 | -4.1% | -21,340 | -6.7% | tax" exempting investment |
| Top 1% | 1,488,380 | -387,280 | -26.0% | -264,770 | -17.8% | -125,900 | -8.5% | -219,570 | -14.8% | income afterwards. |
| ALL | \$ 92,600 | \$ -8,910 | -9.6% | \$ -6,200 | -6.7% | \$ -3,660 | -4.0% | \$ -5,880 | -6.4% | ? |

Source: Institute on Taxation and Economic Policy (ITEP) tax model, January 2012

- **Congressman Ron Paul** has proposed the repeal of the 16th amendment to the U.S. Constitution, which allows Congress to enact income taxes. Rep. Paul says a national sales tax or a "flat tax" would be preferable to the existing personal income tax, but would not support either until the 16th amendment is repealed. His

campaign website says, “Restraining federal spending by enforcing the Constitution’s strict limits on the federal government’s power would help result in a 0% income tax rate for Americans.” While this position is unclear, it would seem to limit the federal government to the size it was in 1913, when the 16th amendment was adopted and made possible the taxes that fund our current defense apparatus, Social Security, Medicare, Medicaid and many other public services.

The table on page one shows that tax cuts, whether measured in dollar terms or as a percentage of income, would be largest for the rich under any of the four plans for which estimates are possible. The graph below shows that under any of these plans, the richest one percent of New Hampshire residents would receive the largest share of the tax cuts going to the state.



Source: Institute on Taxation and Economic Policy (ITEP) tax model, January 2012

Even the meager tax cuts that would go to low-income and middle-income taxpayers under these plans would almost surely be offset by the huge cuts in public services that would become necessary as a result.

GOP lawmakers in Washington are already calling for ending Medicare as guaranteed health insurance for seniors and reducing Social Security benefits, and these tax plans would make necessary even more draconian reductions in the types of public services that middle-income Americans depend on.

Notes on the following page explain some details about the candidates’ tax plans and the methodology used for this report.

Notes

1. The estimates shown here include the impact of the candidates' proposed changes to the estate tax, the corporate income tax, and the personal income tax as it applies to individuals, families and businesses, compared to current law in 2014. This means the tax plans are compared to what would happen if the Bush tax cuts are allowed to expire, as they will under current law after 2012.
2. Ten-year estimates of the costs of each plan are based on the 2013-2022 period.
3. Changes in personal income taxes under each plan were estimated by the Institute on Taxation and Economic Policy (ITEP) using its tax microsimulation model. This model is similar to models used by the Treasury Department and Congress's Joint Committee on Taxation. For an explanation of ITEP's tax model, visit http://www.itepnet.org/about/ITEP_tax_model_simple.php.
4. All of these candidates' tax plans include repeal of the estate and gift tax and reduction (if not repeal) of the corporate income tax. The corporate tax rate would be reduced from 35 percent to 12.5 percent by Gingrich, 20 percent by Perry, 25 percent by Romney and 17.5 percent by Santorum, 15 percent by Paul. Each plan includes additional breaks for corporations and other types of businesses.
4. Both Newt Gingrich and Rick Perry propose to change the personal income tax by introducing a "flat tax" that is described as having a single rate (15 percent under Gingrich's plan and 20 percent under Perry's plan) that taxpayers could file under at their option. Both of these optional "flat" taxes also have a second rate of zero percent for certain investment income that is disproportionately received by the wealthy. Perry has indicated that his "flat tax" would be optional only for the first eight years before becoming mandatory, while Gingrich has not clarified whether or not his "flat tax" would remain optional indefinitely. Because of the uncertainty surrounding this and the low likelihood that Congress would force all taxpayers to file under a "flat tax," we assume that taxpayers file under the "flat tax" only when it results in the lower tax liability.
5. Gingrich would also make permanent the Bush tax cuts, so that taxpayers would choose either his flat tax or the reduced tax rates in effect now, while Perry's plan would require taxpayers to choose either his flat tax or the system that will exist under current law after the Bush tax cuts expire. Romney's tax plan would make permanent the Bush tax cuts.
6. None of these estimates include any tax changes that would result from the candidates' proposed repeal of the 2010 health care reform law. Nor do these estimates include Gingrich's proposed tax credit or deduction for health insurance purchased.
7. Estimates shown here for Rick Santorum's tax plan are preliminary because he has provided fewer details than have Gingrich, Perry and Romney. For example, Santorum's campaign website says that his plan would "cut and simplify personal income taxes by cutting the number of tax rates to just two - 10% and 28% returning to the Reagan era pro-growth top tax rate." It does not say what the how much taxable income one would need to have in order to be subject to the 28 percent rate, but it does clearly reference the tax system put in place by President Ronald Reagan, who left office after enacting a top rate of 28 percent. We assume that the taxable income floor for the 28 percent bracket under Santorum's plan would be the same that was enacted in 1986 by Ronald Reagan, adjusted for inflation. (This taxable income floor still exists, adjusted for inflation, in our tax code today although the rate for that tax bracket was reduced to 25 percent as part of the Bush tax cuts.) We will update our estimates if the Santorum campaign releases any details contrary to the assumptions that were necessary for this analysis.
8. Except as noted otherwise, these estimates are based on interpretations of the candidates' tax plans that generally match those of the Tax Policy Center, which can be found here: <http://taxpolicycenter.org/taxtopics/Summary-of-Tax-Proposals-of-2012-GOP-Candidates.cfm>