

# COMMON GROUND COMMITTEE PUBLIC FORUM

## Finding Common Ground on Taxes

KEY AREAS	1. Current Tax Realities: Where we are now, Problems being created because of current policies		
	PERSPECTIVES ON FUND GOVERNMENT ECONOMIC INITIATIVES	COMMON GROUND	CUT TAXES AS MUCH AS POSSIBLE
Impact on economy	<ul style="list-style-type: none"> <li>The US tax code is unfairly complex and encourages tax evasion.</li> </ul>	Impact on economy-tax code is broken & too complex	<ul style="list-style-type: none"> <li>The US tax code, like the government is too large and complex, damaging business competitiveness.</li> </ul>
	<ul style="list-style-type: none"> <li>Revenue shortfalls stunt private-sector growth by underfunding investment in infrastructure, education, and research.</li> </ul>	Massive infrastructure efforts is another option	<ul style="list-style-type: none"> <li>High tax rates force companies to focus on reducing taxes rather than investing for growth, including moving headquarters abroad.</li> </ul>
	<ul style="list-style-type: none"> <li>Deficits have dropped two-thirds as a percentage of GDP since 2009, now below 40-year average.</li> </ul>	Other contributing factors: in the 1990s there was a moderating of military spending, then they were raised again	<ul style="list-style-type: none"> <li>Lower tax rates mean consumers will spend more, boosting growth.</li> <li>Don't double tax business / profit</li> </ul>
	<ul style="list-style-type: none"> <li>Tax policy must support the public good for moral and practical reasons to help those who are disproportionately hurt</li> </ul>	Corporate tax rates are still an issue, since US is still ahead with existing corporate rates	<ul style="list-style-type: none"> <li>Job growth is still weak, and unless business taxes are lowered to reignite the economy, it will not improve</li> </ul>
	<ul style="list-style-type: none"> <li>Negativity built into public reaction to change</li> </ul>		<ul style="list-style-type: none"> <li></li> </ul>

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<b>PERSPECTIVES ON</b>			
<b>Impact on society / income inequality</b>	<ul style="list-style-type: none"> <li>The rich pay too little in taxes.</li> </ul>		<ul style="list-style-type: none"> <li>The rich pay more than their fair share of taxes</li> </ul>
	<ul style="list-style-type: none"> <li>Years of low taxes underfunds public investment and pushes low-income families deeper into poverty.</li> </ul>		<ul style="list-style-type: none"> <li>High corporate tax rates hurt middle class incomes by discouraging investment and job creation.</li> </ul>
	<ul style="list-style-type: none"> <li>Taxing capital gains at lower rates than ordinary income mainly helps the 1% and is unfair.</li> </ul>	Combine cut in tax rates without deductions, while eliminating loopholes- preferably by lowering corporate tax rates	<ul style="list-style-type: none"> <li>If you tax investment income more, you get less of it. The economy needs more investment, not less, to create jobs.</li> </ul>

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<b>PERSPECTIVES ON</b>			
<b>Impact on budget</b>	<ul style="list-style-type: none"> <li>The US is one of the least taxed developed countries (OECD).</li> </ul>		<ul style="list-style-type: none"> <li>Big federal budgets enable more burdensome regulations for business, so corporate taxes need to be lowered</li> </ul>
	<ul style="list-style-type: none"> <li>Federal revenue shortfalls lead to cuts in services that are passed on to the states, affecting especially students and the poor.</li> </ul>	Strong economic growth does solve many problems- but has been missing for 15 years, unfortunately growth impact has been shared disproportionately	<ul style="list-style-type: none"> <li></li> </ul>

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<b>KEY AREAS</b>		<b>2. Goal of tax reform: Where we want to head- Positions are still quite divergent</b>	
<b>PERSPECTIVES ON</b>	<b>FUND GOVERNMENT ECONOMIC INITIATIVES</b>	<b>COMMON GROUND</b>	<b>CUT TAXES AS MUCH AS POSSIBLE</b>
<b>Overall Goal</b>	<ul style="list-style-type: none"> <li>• Make the tax code simpler and less weighted in favor of the wealthy.</li> </ul>	Tax code needs to support the public good and those in need (Maximum level without hurting the economy)	<ul style="list-style-type: none"> <li>• Make the tax code simpler and distribute the burden of taxation more broadly.</li> </ul>
	<ul style="list-style-type: none"> <li>• Raise more income to spend on infrastructure and social programs</li> </ul>		<ul style="list-style-type: none"> <li>• Lower taxes, spur economic growth, and make US business more competitive internationally.</li> </ul>
<b>Fund Government</b>	<ul style="list-style-type: none"> <li>• Lower taxes will starve government, cut job creation, and hurt people dependent on a social safety net.</li> </ul>		<ul style="list-style-type: none"> <li>• Higher taxes will discourage job creation in the private sector.</li> </ul>
	<ul style="list-style-type: none"> <li>• Targeted spending on infrastructure and education will revive economic growth.</li> </ul>		<ul style="list-style-type: none"> <li>• Scale back federal role in education and other functions better served by states or the private sector.</li> </ul>
	<ul style="list-style-type: none"> <li>• Raising the annual limit on earnings will keep Social Security solvent or enhance it.</li> </ul>		<ul style="list-style-type: none"> <li>• Tax reform must reduce the entitlement burden.</li> </ul>
<b>Deficit Reduction</b>	<ul style="list-style-type: none"> <li>• Deficit reduction has gone too far and the nation needs to reinvest in jobs.</li> </ul>		<ul style="list-style-type: none"> <li>• Deficit cuts are needed but they need to be more strategic.</li> </ul>
	<ul style="list-style-type: none"> <li>• More tax cuts will add dramatically to federal debt.</li> </ul>		<ul style="list-style-type: none"> <li>•</li> </ul>

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2. Goal of tax reform: Where we want to head- Positions are still quite divergent			
KEY AREAS	FUND GOVERNMENT ECONOMIC INITIATIVES	COMMON GROUND	CUT TAXES AS MUCH AS POSSIBLE
PERSPECTIVES ON			
Fairness	<ul style="list-style-type: none"> <li>Corporations and the rich pay too little.</li> </ul>	<p>Some of the rich pay less taxes than those who work for them- but there is an impact on charitable deduction (a loophole)</p> <p>Social Security Tax is not paid by all on all income</p> <p>Payroll tax would need to be a “permanent” tax reform, so people will take it into account in making financial decisions / long-term choices</p>	<ul style="list-style-type: none"> <li>A simpler tax code that broadens the base will grow the economy.</li> </ul>
	<ul style="list-style-type: none"> <li>The rich can afford lobbyists, who add to the complexity of the tax code.</li> </ul>	<p>Trade off less personal income tax reduction for lower corporate taxes</p> <p>Media and voters are unwilling to look at meaningful trade-offs, which is the positive compromise we need- limited confidence in government</p>	<ul style="list-style-type: none"> <li>Raise the personal exemption on income to make the tax code fairer.</li> </ul>

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KEY AREAS	3. Impact of Politics Unique political campaigns- Intense political climate		
	FUND GOVERNMENT ECONOMIC INITIATIVES	COMMON GROUND	CUT TAXES AS MUCH AS POSSIBLE
<b>In Flux</b>	<ul style="list-style-type: none"> <li>• Throngs of voters turned out. The establishment candidate prevailed.</li> </ul>	<p>Populist revolt is real, middle class is angry</p>	<ul style="list-style-type: none"> <li>• Throngs of voters turned out. The <u>anti</u>-establishment candidate prevailed.</li> </ul>
	<ul style="list-style-type: none"> <li>• To coopt Sanders backers, Clinton is pulling to the left on taxing the rich.</li> </ul>	<p>Agreement to tell other nations to pay their fair share</p> <p>Recognize if military spending increases, it must be covered by tax revenue</p>	<ul style="list-style-type: none"> <li>• Trump is positioning the party away from some traditional Republican stands on trade and taxes.</li> </ul>
<b>On Tax Reform</b>	<ul style="list-style-type: none"> <li>• Raise revenues by taxing the rich, particularly Wall St. who leverages obscure elements of the tax code to pay less taxes.</li> </ul>		<ul style="list-style-type: none"> <li>• Cut rates by closing some tax breaks.</li> </ul>
<b>Political Climate</b>	<ul style="list-style-type: none"> <li>• Disenchantment with unrestrained capitalism after 2008 means equal distribution of wealth is no longer seen by voters as “waging class warfare.”</li> </ul>		<ul style="list-style-type: none"> <li>• Regardless of perception, income redistribution is class warfare.</li> </ul>
	<ul style="list-style-type: none"> <li>• Recent data on the top 1% is so compelling that the case for income redistribution makes itself</li> </ul>	<p>Distribution issue- how to structure to maximize incentive and minimize the disincentive- need revenue to ameliorate impacts on the displaced</p>	<ul style="list-style-type: none"> <li>• Success should not be penalized. Income redistribution threatens the American dream.</li> </ul>

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4. Tax Reform Proposals			
Where we can go- Opportunities to work together			
KEY AREAS	FUND GOVERNMENT ECONOMIC INITIATIVES	COMMON GROUND	CUT TAXES AS MUCH AS POSSIBLE
PERSPECTIVES ON			
<b>Personal</b>	<ul style="list-style-type: none"> <li>Place a surtax on the highest incomes.</li> </ul>	Overall, there is a potential for recession, so don't raise tax rates	<ul style="list-style-type: none"> <li>Lower tax rates to encourage work, investment, savings &amp; broaden base.</li> <li>Lower the top tax bracket from 39.6% to 28%.</li> </ul>
	<ul style="list-style-type: none"> <li></li> </ul>	<p>To simplify the tax code is hard to do politically- there are important political forces who put them in place; some were from lobbyists but others have significant public support</p> <p>Even "choice" for simplify tax returns to reduce complexity is politically difficult, given the politics of interest groups</p>	<ul style="list-style-type: none"> <li>Simplify the tax code by reducing the number of tax brackets, consolidating the standard deduction, personal exemptions, and child tax credits.</li> </ul>
	<ul style="list-style-type: none"> <li>Tax capital gains, dividends, and ordinary income at the same rate to avoid the Warren Buffet syndrome.</li> </ul>		<ul style="list-style-type: none"> <li>Lower capital gains rate to encourage investment.</li> </ul>
	<ul style="list-style-type: none"> <li>Replace the Alternative Minimum Tax (AMT) with a 30% minimum tax on income greater than \$1 million.</li> </ul>		<ul style="list-style-type: none"> <li>Eliminate the Alternative Minimum Tax (AMT).</li> </ul>
<b>Estate Tax</b>	<ul style="list-style-type: none"> <li>Raise the highest estate tax rate to 45% and decrease estate tax exclusion to \$3.5 million to generate needed funds for government services.</li> </ul>		<ul style="list-style-type: none"> <li>Repeal federal estate ("death") tax to avoid unfair double taxation and encourage economic growth.</li> </ul>

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<b>4. Tax Reform Proposals</b> Where we can go- Opportunities to work together			
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<b>PERSPECTIVES ON</b>			
<b>Deductions &amp; Loopholes</b>	<ul style="list-style-type: none"> <li>Get rid of tax breaks that only benefit the wealthy.</li> </ul>	Deduction game is rigged! Most Americans, however do not need deductions, but this requires being combined with the elimination of loopholes	<ul style="list-style-type: none"> <li>Remove deductions that favor one industry over another, such as solar energy.</li> </ul>
	<ul style="list-style-type: none"> <li>Cut deductions and loopholes as part of a grand bargain to lower middle-class tax rates.</li> </ul>	Lower marginal tax rates, which minimizes the impact of reducing reductions	<ul style="list-style-type: none"> <li>Cut deductions and loopholes as part of a grand bargain to lower tax rates.</li> </ul>
	<ul style="list-style-type: none"> <li></li> </ul>	An example- cut mortgage deduction especially with lower marginal tax rates that minimizes the impact on the middle class	<ul style="list-style-type: none"> <li></li> </ul>



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Candidates Tax Proposals: Hillary Clinton and Donald Trump: How taxes matter			
KEY AREAS	FUND GOVERNMENT ECONOMIC INITIATIVES	COMMON GROUND	CUT TAXES AS MUCH AS POSSIBLE
PERSPECTIVES			
<b>Personal</b>	<ul style="list-style-type: none"> <li>• Hillary Clinton proposes a 4% surplus tax on incomes greater than \$5 million.</li> </ul>		<ul style="list-style-type: none"> <li>• Donald Trump aims to cut marginal tax rates at all levels, reducing seven tax brackets (ranging from 10 to 39.6 percent) to three (10%, 20%, and 25%).</li> </ul>
	<ul style="list-style-type: none"> <li>• Clinton proposes raising rates on medium-term capital gains to between 24% and 39.6%.</li> </ul>		<ul style="list-style-type: none"> <li>• Eliminate federal income tax for incomes under \$25,000 for individuals or \$50,000 for married couples.</li> </ul>
	<ul style="list-style-type: none"> <li>• The Clinton tax increase on the top 1% would raise revenue by \$1.1 trillion over the next 10 years, according to the Tax Policy Center.</li> </ul>		<ul style="list-style-type: none"> <li>• Trump proposes taxing dividends and capital gains at a maximum rate of 20 percent.</li> </ul>
	<ul style="list-style-type: none"> <li>• Democratic platform proposes raising the cap on Social Security taxes on incomes above \$250,000 to boost resources for Social Security.</li> </ul>		<ul style="list-style-type: none"> <li>• Trump's tax plan cuts taxes by \$10 trillion, with the largest benefits going to the highest-income households, according to the Tax Policy Center.</li> <li>•</li> </ul>

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PERSPECTIVES			
<b>Corporate</b>	<ul style="list-style-type: none"> <li>Clinton has not stated a position on corporate tax rates.</li> </ul>		<ul style="list-style-type: none"> <li>Cut the corporate tax rate from 35% to 15%, while repealing most tax breaks for businesses.</li> </ul>
	<ul style="list-style-type: none"> <li></li> </ul>	Consider proposal to handle American drug prices- there is IP protection (statutory) then charge American more and do an inversion	<ul style="list-style-type: none"> <li>The House GOP plan aims to end incentives for corporate inversions by taxing imports, not exports.</li> </ul>
	<ul style="list-style-type: none"> <li></li> </ul>	The goal is progress, not perfection	<ul style="list-style-type: none"> <li>The Republican platform calls the overhaul and simplification of the tax code a “moral imperative” and the key to economic growth.</li> </ul>
<b>Estate Tax</b>	<ul style="list-style-type: none"> <li>Clinton proposes to increase the top estate tax rate to 45% and lower the estate tax exclusion to \$3.5 million, with a lifetime gift tax exemption at \$1 million.</li> </ul>		<ul style="list-style-type: none"> <li>Trump would repeal all federal estate and gift taxes.</li> </ul>

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BRINGING LIGHT NOT HEAT TO PUBLIC DISCOURSE

### **COMMON GROUND COMMITTEE MISSION STATEMENT**

*TO PURSUE INITIATIVES THAT WILL REVEAL COMMON GROUND  
FOR FINDING TRUTH, CLARITY, UNDERSTANDING, AND PROGRESS  
ON ISSUES OF IMPORTANCE IN A CIVIL MANNER THAT DOES NOT  
REQUIRE COMPROMISE OF FUNDAMENTAL PRINCIPLES.*