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Opinions

Here's how the GOP can pay for its tax plan

By Hugh Hewitt November 6 at 7:55 PM

Before any tax bill passes, new sources of revenue will have to be found. Senate deficit hawks must be satisfied, and crucial interest groups opposed to the House bill because of its assault on homeownership preferences — real estate agents and home builders — need to be converted from enemies to allies. Passage will require retaining the code's existing treatment of homeownership, as well as seriousness about the country's ocean of red ink. And that means more revenue from somewhere.

There are three potential sources of that revenue. All should appear in the Senate's version of tax reform.

First, dump Obamacare's individual mandate. As proposed by Sen. Tom Cotton (R-Ark.) last week and seconded by President Trump and a growing number of legislators, this would save the government between $300 billion and $400 billion over the next decade and also set the stage for significant health-care reform next year.

Only Republicans who fear Democratic demagoguery on the issue will hesitate. They shouldn't. The mandate is a massive intrusion on individual freedom that should come, if ever, from states in control of their own health-care systems, not from the federal government. Republicans have been arguing against a federal mandate since the first day of the Obamacare debate. They can kill off the mandate and advance tax reform at the same time.

Second, raise the gas tax. The obvious connection between the gas tax and its uses makes this the most palatable of old revenue sources to increase, especially as the prospect of new infrastructure spending looms. Serious students of federalism know the GOP has always been in favor of "internal improvements," as infrastructure was known in Lincoln's time. Finding the money should begin with a significant hike in the fees charged motorists using the most ubiquitous of infrastructure: the roads.

The third, *new* available source of revenue is very similar to the gas tax, in that it would be more fee than tax: a surcharge on every residential delivery of purchased goods as the vibrant new economy disrupts the old retail sector and booms across the planet.

A 5 percent delivery fee, collected by the merchant making the sale, would not be nearly as regressive as a broad sales tax (and may even be progressive). It would certainly tap into a volcano of revenue flowing into new-economy companies that have used the existing infrastructure of roads, rails and airports to build vast fortunes.

Such a delivery fee would be similar to fees assessed on airline and train tickets. It would actually be a “new economy user fee.” That’s got to have bipartisan appeal, while brick-and-mortar establishments would cheer any small tax-code recognition that the sales taxes their customers have paid for decades provided much of the infrastructure now being used to disrupt, if not completely destroy, them.

There’s also a case to be made for a new income-tax bracket for the very, very wealthy and a tax on very, very large estates, in this *Citizens United* era where billionaire self-funding is becoming a new political force on both left and right, one unanticipated by the Founding Fathers. Starting that discussion makes sense, but figuring out the correct rates and thresholds cannot be jammed into the time available.

Tax reform is widely understood to be urgently necessary to keep the United States competitive in the global economy, and the first draft of the bill has 90-plus percent support in the GOP House Caucus. A similar bill will have similar levels of support in the GOP Senate Caucus. Senate Majority Leader Mitch McConnell (R-Ky.) told me on MSNBC on Saturday, his “guess is once we’ve demonstrated we have 50 votes and could pass it without them, that we might get a few Democrats.”

A successful tax bill would be a huge win for the overall economy, as well as for companies that want to remain headquartered in the United States and their employees, for the Republican Party generally and for Trump, House Speaker Paul D. Ryan (R-Wis.) and McConnell specifically. All that stands in the way are a handful of Republican senators, the National Association of Realtors and the National Association of Home Builders. States with high income taxes have lost their battle for subsidies from low-tax states. But penalizing homeownership across all states is a galvanizing issue for the opposition.

So raise revenue to pay for preserving homeowning incentives and to rebuild and expand the infrastructure of the new economy — roads, bridges, ports, rails and airports — being hard-pressed by millions of new deliveries, and to address the demands of deficit hawks. Get it done and then move on to the repeal of sequestration on the Pentagon, immigration reform, infrastructure spending and Round Two of health care.

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