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Perry's Alternative Flat Tax: Yes We Cain?



Image via whitehouse2012.wordpress

The media is agog over Rick Perry's tax plan unveiled in this [summary](#). You have to admit, with a name like [Cut, Balance, and Grow](#), it sounds like something you do to a lawn, to a riding mower, or perhaps to a field of wheat.

With a chicken or beef kind of choice, the Texan gives you choices. What would Americans like on their pizza? Behind Door Number One, individuals can choose to stay with

the existing tax code. This is the devil you know, so to speak. It may be a crummy tax system, bloated with complexity and inequity, but it's ***your*** bloated and crummy system!

Or choose from our special value menu. Behind Door Number Two? Sidle up to take an optional ride on Perry's Texas Simple Flat Tax System. But Perry's flat tax has a hybrid spin. See [Perry's Flat Tax: Some Missing Homework, But A Solid B+](#).

One of the true sacred steers of the U.S. tax system is the mortgage interest deduction. Perry's flat 20% keeps it, allowing you to deduct mortgage interest, as well as continue to claim deductions for your donations to charity, and your payments of state and local taxes. People in high tax states like California and New York thus stay on track.

Perry's flat tax would include a standard exemption for individuals/dependents of \$12,500. But standard exemptions and other deductions would be phased out for those earning over \$500,000. As a paean to seniors, Perry's plan would eliminate the tax on Social Security benefits.

More generally, it would eliminate taxes on dividends and capital gains. And if this Texas two-step gives you a heart attack, don't worry. Perry says his plan "abolishes the death tax once and for all, providing needed certainty to American family farms and small businesses."

And to Cain's [apples and oranges](#), Perry says there'll be no federal sales tax or VAT. Since [9-9-9](#) may look increasingly unlikely, Perry pegs his corporate tax mission at 20%, dropping our rate from the second highest in the developed world to a rate on par with global competitors. Apart from that rate reduction, Perry says his plan will:

- Eliminate corporate loopholes and special-interest tax breaks;
- Transition to a territorial tax system, something more like Hong Kong or France that only taxes in-country income; and
- Allow locked-up overseas capital to be brought back to the U.S. at a bargain 5.25% tax rate, which Perry suggest could free up as much as \$1.4 trillion that is parked and just waiting.

Perry defended his plan in a Wall Street Journal op-ed, [My Tax and Spending Reform Plan](#). Clearly Perry wants to Parry with [Cain](#), and neither want to be Buffeted. See [In Taxes, Is Cain Able?](#) While it's hard to know where to begin, my favorite feature of the Perry Plan is the postcard.

Perry claims that his "simple 20% flat tax will allow Americans to file their taxes on a postcard, saving up to \$483 billion in compliance costs."

For more, see:

[Perry's Flat-Tax Plan: Simplicity Atop Complexity](#)

[Perry Joins Flat-Tax Camp](#)

[Perry Plan Would Grant Big Tax Break to Wealthiest](#)

[GOP candidates offer a diverse set of economic plans](#)

[Perry's Economic Plan Would Slash Taxes, Federal Spending on Programs](#)

[Poll: Conservatives Prefer Flat Tax Over '9-9-9'](#)

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