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Tax ‘Reform’: Don’t Pinch the SALT Deduction.

True tax reform should aim to satisfy four main ‘fiscal’ principles: It should aim at a tax system that is flatter (with lower nominal rates), broader (as many people as possible should have skin in the game), simpler and, even allowing—as I would –for some supply side magic, it should be fiscally responsible. As that final goal is extremely difficult to reconcile with those earlier principles without either truly brutal claw-backs in entitlements (not something I would favor) or (my very clear preference) some sort of federal VAT/GST/Sales tax, both political impossibilities for now, the best that can be hoped for is that any change in the tax regime should not worsen the country’s (unattractive) long term financial condition by too much.

It’s hard to see how (despite proposals such as the cut in corporate tax rates—good, but 20 percent looks like an overreach—and the welcome abolition of the Alternative Minimum Tax) the GOP plans genuinely satisfy any of those conditions.

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