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For the GOP, a Daring Tax Choice

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By Robert D. Novak
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Conservative Republicans have been back on their heels all year while the majority Democrats in Congress offered liberal initiatives. But this week, reform-minded conservatives intend to introduce the most far-reaching tax plan since [Jack Kemp](#)'s three decades ago. It would establish a radically simplified, flatter tax for an estimated 90 to 95 percent of income-tax filers.

Those taxpayers presumably would accept this offer: Give up all your current deductions, and your annual earnings up to \$100,000 would be taxed at 10 percent, with a 25 percent rate on everything above that. But that is not all. The bill would repeal the hated alternative minimum tax (AMT), erasing \$840 billion in revenue over the next 10 years. Government would have to get leaner.

This is too daring for the Bush administration's Treasury Department or the [House Republican](#) leadership. The Taxpayer Choice Act, to be introduced today, is sponsored by three influential junior members. They are headed by [Rep. Paul Ryan](#) of [Wisconsin](#), a five-term lawmaker and the ranking Republican on the Budget Committee. But Kemp was also a lone wolf when he introduced his across-the-board tax cut, which became the heart of President [Ronald Reagan](#)'s economic program.

Ryan's reform was triggered by the runaway AMT, which originally was intended to catch rich tax avoiders but keeps spreading to ensnare ordinary people. It would hit 23 million additional families this year alone. Congress has restricted the AMT on a piecemeal basis, and [Treasury Secretary Henry Paulson](#) is pushing for a "patch" that would limit its grasp to 4 million upper-bracket families.

But [Rep. Charles Rangel](#), the Democratic chairman of the [House Ways and Means Committee](#), [opposes any patch this year](#). Instead, he would repeal the AMT completely and replace the lost revenue with "the mother of all reforms." That would redistribute up to a trillion dollars of Americans' income over a decade, creating a more steeply graduated tax system.

The response comes from Ryan, a 37-year-old former speechwriter for Kemp who today is the leading supply-sider in Congress. Like Rangel, he would repeal the AMT. Unlike Rangel, he would not recover the revenue.

Ryan would seize the moment to push a tax choice plan that has been percolating for years. Ryan added as co-sponsors two House Republican colleagues thinking along the same lines: Rep. [Jeb Hensarling](#) of [Texas](#), a third-term member who is chairman of the conservative Republican Study Committee, and [Rep. John Campbell](#) of [California](#), in his first full term.

This trio wanted to wait until Rangel unveiled his massive reform, but the Democratic tax leader is so far behind schedule that Ryan moved this week. Under the plan, taxpayers could either continue under the current tax code or accept the simpler system. In place of deductions and credits, every taxpayer would get a generous standard exemption (\$39,000 for a family of four). Presumably, nearly everybody would take this opportunity to escape the scrutiny and invasiveness of the [Internal Revenue Service](#). A taxpayer could switch back to the old system only once in a lifetime (with an exception for such life-changing events as death, marriage or divorce).

This system may avoid the fate of past years' flat-tax proposals, which encountered the wrath of the "tax expenditure lobby" seeking to retain such deductions as home mortgages, charitable contributions and state income tax payments. Those exclusions make a 25 percent tax rate impossible, but the Taxpayer Choice Act puts the decision of whether to retain them in the hands of the individual.

The plan also would make permanent [President Bush's](#) capital gains and dividends tax cuts. Nevertheless, Paulson and the Treasury cannot live with it because they are unwilling to give up that \$840 billion in revenue. Neither can [Rep. Jim McCrery](#), the ranking Republican on Ways and Means.

Ryan, Hensarling and Campbell pose a gut check for the Republican Party. Is it willing to part with a rapacious tax without replacing the revenue and to offer taxpayers a bold choice? In 1978, the [Republican National Committee](#) under Chairman Bill Brock endorsed Kemp-Roth. To take a similarly daring step today, the party would have to divorce itself from the Bush administration's tutelage and embark on a course of tax simplification and spending discipline.

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