

## Policy Alert

February 9, 2016

### If you read one thing...

- The field of candidates has narrowed following the conclusion of the Iowa caucuses; however, there is no clear front-runner for either party.
- Republicans continue to spar over flat tax proposals from Sen. Cruz and Dr. Carson, versus those who favor lowering rates and reducing income tax brackets, such as Sen. Rubio and Gov. Bush.
- Secretary Clinton and Sen. Bernie Sanders are locked in an evenly pitched battle for the Democratic nomination. Sen. Sanders recently released his plan to expand health coverage to all Americans, which would be paid for through a series of tax increases.



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### Campaigns Push on to New Hampshire

With the nation's first caucuses in Iowa now over, the Republican field has shrunk, while Democrats Secretary Clinton and Sen. Sanders remain in a dead heat. Candidates on both sides continue to release limited details about their tax policies, with the exception of Sen. Sanders, who recently unveiled his plan to raise taxes on higher earners in order to fund a single-payer health care system.

In Iowa, Sen. Cruz carried the day, winning 27 percent of the Republican caucus vote, followed closely by Mr. Trump (24 percent) and Sen. Rubio (23 percent). Dr. Carson was the fourth-ranking candidate, but achieved only 9 percent, while Gov. Bush received only 2.8 percent of the vote. Gov. Huckabee and Sens. Paul and Santorum all exited the race following the caucus. Meanwhile, Secretary Clinton narrowly edged out Sen. Sanders by a margin of 49.9 percent to 49.6 percent in the Democratic caucus. Gov. O'Malley has since exited the race after failing to garner enough votes to register in the caucus.

Among the Republican candidates, the major difference in the competing tax plans is between Sen. Cruz and Dr. Carson, who favor some form of a flat tax, versus Sen. Rubio, Mr. Trump, Gov. Bush and Gov. Kasich, who would instead lower the income tax rates for the middle class and, in certain cases, reduce the number of tax brackets. Sen. Rubio has recently begun to attack Sen. Cruz's plan, arguing that his "business flat tax" is a de facto value-added tax.

Sen. Sanders recently unveiled his plan to implement a single-payer health care system, which would be funded primarily through increased tax rates for top earners and estates. Sen. Sander's plan, the "Medicare for All" plan, would expand health coverage to all Americans and make the federal government the sole health insurer in the country. In order to pay for the plan, Sen. Sanders would implement a 2.2 percent "income-related premium" for individuals and a 6.2 percent employer-paid "income-related

premium.” Additionally, the plan would rely on increased income tax rates for high earners, beginning at a 37 percent rate for households earning above \$250,000 and rising to a maximum rate of 52 percent for those earning \$10 million or more. Sen. Sanders’ plan would also increase the top estate tax rate from 40-65 percent while lowering the threshold for being taxed from \$5.45 million to \$3.5 million. Finally, his plan would tax capital gains and dividends as ordinary earned income for households making above \$250,000.

In an [analysis](#) of Sen. Sanders’ plan, the bipartisan Committee for a Responsible Federal Budget estimates that the proposed offsets described above would cover only three-quarters of the plan’s claimed cost, leaving a \$3 trillion budget shortfall over 10 years.

Secretary Clinton and Sen. Sanders met in New Hampshire on February 3, 2016, for a town hall event hosted by CNN; however, tax issues largely took a back seat as the two candidates traded barbs over their legislative tenures and political ideologies. Polls in New Hampshire suggest that the Democratic primary will not be as close as the Iowa caucus. Sen. Sanders has a strong advantage, leading Secretary Clinton 55 percent to 37 percent according to a CNN averaging of multiple polling sources. Despite a probable Sen. Sanders win in New Hampshire, the two Democratic candidates are likely to continue sparring well into the 2016 primary season, while Republicans contenders double down in attempts to break away from the pack. The New Hampshire primary will take place on February 9, 2016.

Charts detailing the tax policies of the current candidates can be found [here](#).

**Contact Information**

If you have any questions regarding this alert, please contact:

**Jayne T. Fitzgerald**

Senior Counsel  
[jfitzgerald@akingump.com](mailto:jfitzgerald@akingump.com)  
202.887.4581  
Washington, D.C.

**Robert J. Leonard**

Senior Policy Consultant  
[rleonard@akingump.com](mailto:rleonard@akingump.com)  
202.887.4040  
Washington, D.C.

**Matthew J. Thomas**

Senior Public Policy Specialist  
[mthomas@akingump.com](mailto:mthomas@akingump.com)  
212.872.1000  
New York