Report Card

On the 2004 Bush and Kerry Presidential Tax Plans

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—President John F. Kennedy

Best known for its annual calculation of Tax Freedom Day®, the Tax Foundation has monitored tax policy at the federal, state and local levels since 1937.

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How we graded them:

As a service to taxpayers, Tax Foundation economists have graded the 2004 Bush and Kerry presidential tax plans based on five principles of sound taxation:

- **Simplicity:** Taxes should be easy to understand and comply with.
- **Transparency:** Taxes should not be hidden or misleading.
- **Stability:** Taxes should not change continually.
- **Neutrality:** Taxes should not attempt to micromanage the economy through targeted credits and deductions.
- **Growth-promotion:** Taxes should be low and minimize interference in the marketplace.

Candidates were given letter grades from "A" to "F" based on how well their reported tax plans match up with these principles.

The Bush Plan

- Permanent $1,000 child tax credit;
- Permanent reduction in "marriage penalty";
- Permanent expanded 10 percent tax bracket;
- Increased small business expensing of investments;
- Expanded tax-favored accounts like 401(k)s;
- Permanent cut in tax rates on dividends and capital gains; and
- Phasing-out of "death tax."

The Kerry Plan

- Repeal Bush tax cuts for $200,000+ earners;
- Repeal Bush plan to phase-out "death tax";
- Temporary tax credit for manufacturing jobs;
- 1.75 percentage point cut in corporate tax rate;
- End foreign income tax deferral to curb "outsourcing";
- Tax credit for small business health insurance;
- Tax credit for health insurance for laid-off workers;
- Tax credit for energy-efficient equipment;
- Tax credit for college expenses;
- Tax credit for rural Internet companies; and
- Tax credit to firms with employees on active reserve duty.

	Bush	Kerry
Simplicity	**F** *Fails to simplify tax code or reform the Alternative Minimum Tax.*	**F** *Fails to simplify tax code or reform the Alternative Minimum Tax.*
Transparency	**B** *Simple, across-the-board rate cuts.*	**D** *Complex rule changes and discriminatory tax credits.*
Stability	**B** *Temporary tax cuts from 2001 & 2003 become permanent.*	**D** *Revives death tax, repeals cuts in top rates, new temporary credits.*
Neutrality	**C** *Some discriminatory credits, but also flat capital gains tax and repeal of death tax.*	**D** *Carrot-and-stick tax credits aimed at micromanageing the economy.*
Growth	**A** *Permanent across-the-board tax cuts and cost saving reforms for small business.*	**B** *Cuts corporate tax rate, but penalizes global companies.*
Overall Grade	**B-**	**D**

For a complete analysis, please visit the Tax Foundation's website at www.taxfoundation.org.