

# Go close someone else's tax dodge, not ours

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Marty Trillhaase/Lewiston Tribune

You'd search a long time to find anyone who is a bigger budget deficit hawk than Idaho Sen. Mike Crapo.

A member of the Gang of Six, Crapo embraces closing tax loopholes as a way to lower overall tax rates and generate more money. That makes Crapo one of the few Republicans even willing to discuss revenues.

And you'd travel far and wide before you'd find a collection of people who are more aghast at federal spending than Crapo's constituents - including many of those in the Tribune's readership.

Except, of course, when it gets too close to home. Then the tune changes.

Case in point: The New York Times recently highlighted Crapo's ardent defense of a \$3 billion loophole for the pulp and paper industry.

The tax credit in question allowed pulp mills to qualify for an energy subsidy because they produce an alcoholic sludge called black liquor, which is used to power the plants. Critics called the credit a tax dodge because it didn't do anything to reduce the country's dependence on imported oil.

So Congress halted the alternative fuel break, then killed the cellulosic biomass credit - only to have the IRS leave it partially intact for 2010.

But it's worth millions to north central Idaho's economy. In 2009, the tax credit contributed \$117 million toward Clearwater Paper's \$182 million profit. Clearly the company was healthy without it. Some of that money probably went toward Clearwater Paper's acquisition of Cellu Tissue at Alpharetta, Ga., for \$502 million. Or it helped the company build a \$260 million factory at Shelby, N.C.

Between the time a new transportation bill emerged from the Finance Committee, where Crapo serves, and its arrival on the Senate floor, a feature closing the black liquor loophole disappeared. Lost in the discussion is one pertinent detail: Crapo wasn't so much preserving a tax loophole as he was heading off a retroactive reversal. The tax break already had expired. What Crapo's colleagues were contemplating was making Clearwater Paper and others in the industry return the money - so it could be spent somewhere else.

"It would have caused significant pain to the company," says Clearwater spokesman Matt Van Vleet.

"Significant pain" to the region's largest employer no doubt would roll downhill.

A \$3 billion tax credit is a rounding error on a \$1.2 trillion deficit. Think what would happen the minute Congress goes after the real problem - \$1.1 trillion worth of loopholes scattered throughout the tax code. Says the Concord Coalition, the biggest tax dodges include:

- Health insurance - \$128 billion.
- Dividends and capital gains taxed at a lower rate - \$93 billion.
- Mortgage interest deduction - \$84 billion.
- Charitable giving - \$32 billion.

These have less to do with promoting the economy than politics. Turns out each is worth far more to upper-income families. For instance, someone in a 35 percent tax bracket and who itemizes is going to get a much bigger break on his health insurance and mortgage interest deductions than the person at the bottom who is taxed at 15 percent and may not itemize. Not only is that an upside-down subsidy, but it drives up the cost of housing and health care for everyone.

Maintaining those tax breaks is bankrupting the country just as surely as lavish spending and overly generous tax cuts. But if you can't close a \$3 billion loophole for one industry, how are you ever going to seal up tax breaks that ordinary Americans enjoy?

By putting everything - spending cuts, entitlement reform and trimming loopholes - on the table, says Crapo's spokesman Lindsay Nothorn. When that happens, the Idaho Republican will be ready to engage. But he's not going to strip an Idaho employer of a tax break just to free up more money for federal spending.

Sounds like Crapo has a blind spot.

But many in the Lewiston-Clarkston Valley share the same affliction.. - M.T.