



COMPREHENSIVE TAX REFORM

UN-RIGGING THE U.S. ECONOMY

INTRODUCTION

It shouldn't surprise anyone that 72-percent of Americans feel that the "economy is rigged to advantage the rich and powerful." It is. And there's no greater contributor to the rigged economy than the U.S. tax code.

Ideal tax policy would raise enough revenue to fund the proper functions of government with limited market interference, and treat individuals and institutions equally in the process. But the U.S. tax code does just the opposite.

- It takes too much hard-earned money from ordinary Americans struggling to get by.
- It pits the least fortunate against the well-connected, who spend millions of dollars on lobbyists seeking special tax treatment and favors, instead of creating value through economic means.
- It distorts market signals that are essential to a free and innovative economy, that is growing and producing jobs and opportunities for all Americans.
- And it drains the U.S. economy of billions of dollars in tax law compliance costs that could be used for more productive purposes that lead to innovations and job creation.

Since 1986, the last time Congress significantly reformed our tax laws, "the code has grown more complex by the year, as evidenced by the fact that Congress has made more than 5,900 changes to the code—an average of more than one a day—just since 2001," according to IRS Taxpayer Advocate.

With every change, complexity grows, the economy suffers, jobs and opportunities are lost, and our nation becomes a more entrenched two-tiered society.

A VISION FOR TAX REFORM

We have a positive vision for a fairer, flatter, and simpler tax code, that is understood and respected by the American people, and unleashes growth and opportunity so all Americans can improve their lives—especially the least fortunate.

Our vision for tax reform follows five simple principles:

1 **SIMPLICITY:** *Lower rates, fewer brackets, and the elimination of special loopholes, deductions, and exemptions will make tax compliance easier and more affordable.*

America's byzantine tax policy, with the highest corporate statutory rates in the developed world, deters American business investments, stifles economic growth, and caused America to lose as many as 3 million jobs.

American workers and consumers are hurt by higher taxes, whether they are imposed on individuals or corporations. Most middle-class taxpayers, who take the standard deduction, do not benefit from the array of special deductions and credits, and high individual tax rates reduce badly needed take-home pay. Higher corporate tax rates reduce jobs and increase consumer prices.

Individuals and businesses waste billions of dollars and billions of hours complying with the code's complex and convoluted requirements. In 2016, tax code complexity cost American taxpayers and businesses \$409 billion dollars, and over 8.9 billion hours in compliance time—time and money that could be put to more productive use.

Achieving simplicity in the tax code:

- Reduce the number of income brackets
- Eliminate special interest tax credits and deductions for businesses and individuals
- Stop the cycle of tax extenders and annual changes to the tax code
- Simplify taxes on investment
- Eliminate the Alternative Minimum Tax

2 **EFFICIENCY:** *A broad-based, low-rate tax system is the most efficient way for the government to collect revenue—causing as little disruption to the economy as possible.*

Eliminating distortions allows people to make the best decisions about saving and investing for their families or businesses, rather than focusing on tax outcomes. And it allows businesses to focus on producing real value for their customers, rather than gaining at the expense of others through the political system.

Achieving efficiency in the tax code:

- Eliminate special interest tax credits and deductions for businesses and individuals
- Eliminate death and gift taxes
- Reduce tax rates on businesses
- Reduce tax rates on investment income to reduce double taxation

3

EQUITABILITY:

Corporate welfare and special-interest handouts in the current tax code create an unfair, two-tiered tax system and should be eliminated.

From 2002 to 2011, lobbyists spent \$28 billion pleading with federal, state, and local governments for special treatment for their clients. When government picks favorites in our tax code, this leads to higher tax rates for everyone else. The U.S. government pays out \$100 billion per year in corporate welfare—that's an average cost of almost \$900 per American family. The true cost to taxpayers is greater because the \$100 billion does not include the cost of preferential tax carve outs or trade restrictions.

In addition, tax expenditures, which include special exclusions, exemptions, deductions, credits, and preferential tax rates, are estimated by the Congressional Budget Office to exceed \$1.5 trillion in 2017.

Achieving equitability in the tax code:

- Eliminate special interest tax credits and deductions for businesses and individuals

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PREDICTABILITY:

Tax certainty is essential to a pro-growth tax system.

Our current tax system relies on short-term fixes to help businesses deal with extremely high tax rates. These tax extenders and the complex formulas for bringing foreign-earned income back home to the United States make it very difficult for businesses to plan long-term.

Achieving predictability in the tax code:

- End the cycle of tax extenders and quick-fix patches to the code
- Adopt a territorial system where U.S. companies are only taxed on the income they earn here in the U.S.

5

NO BURDEN ON TAXPAYERS:

Comprehensive tax reform must be done without placing new burdens on the American people.

Government has a spending problem, not a revenue problem. Tax reform can and must be done without saddling new taxes on American consumers, whether in the form of a BAT, VAT, carbon tax, or other tax increase.