

THE TAX PICTURE

Taxpayers Need To Discuss Tax Reform Options

by *Elvis Oxley*

(NAPSA)—Clearly, tax reform will be a key item on the political agenda in 2005. With nearly 20 years having passed since the last major reform effort, it seems appropriate to consider a new tax reform agenda for the future.

Any attempt at tax reform will face the multiple burdens of reforming and simplifying the tax code while raising enough revenue to address the demands of the deficit and pay promised benefits to the soon-to-retire baby boomers.

At present, there are a number of approaches to tax reform being discussed by economists and tax theorists. In hopes of spurring debate over these options, The Ripon Society has published a policy paper that explores several approaches to tax reform in depth. We believe that several of these plans put forth ideas that deserve consideration.

For instance, the comprehensive income tax option would get rid of or reduce corporate taxes and other special deductions in an effort to create a fairer tax code. It would, however, continue to tax dividends (gains from investment and savings).

Under another reform option, the consumption tax, any income that is not saved or invested is considered consumption, and therefore taxable. This means savings, dividends and investment are not taxed. Such an approach recognizes that savings and investment are central to economic growth.

Consumption taxes are already in place in Europe, where they take the form of a value-added tax, or VAT, and in the U.S. in the form of retail sales taxes.

However, there are other ways a consumption tax could be put in place. For example, some say a consumption-based tax could be made to resem-



In addition to combating tax evasion, it's estimated a Value Added Tax could raise over \$1 trillion in revenue that could help reduce the deficit.

ble the current tax filing system—only simpler and with fairer results. In addition to having the most promise for fighting tax evasion, it's estimated that a 20 percent broad VAT would raise over \$1 trillion in revenue that could help reduce the deficit.

Most would agree that any attempt to reform the tax code should be subjected to thoughtful discussion and debate among taxpayers—those who would bear the burden of whatever path is taken. These discussions must examine the benefits and shortcomings of each approach if we are to arrive at a system that is both fair and workable.

Elvis Oxley is the Executive Director of The Ripon Society. Founded on the values of Abraham Lincoln and Teddy Roosevelt, Ripon believes in their legacy of innovation, equality of opportunity for all people, personal responsibility, and smaller government.

To learn more about the organization and its programs, or to download a copy of its tax-reform policy paper, visit www.riponsoc.org.