Tackling the Tax Code: Efficient and Equitable Ways to Raise Revenue

The United States needs additional revenue sources for investments that support broadly shared growth, for fiscal balance, and for a more equitable tax code. As policymakers address these challenges, questions about taxes often arise—who pays them, what effects do they have on the economy, and how much revenue can they raise? Therefore, it is necessary to examine how our nation's tax code can most effectively provide for a strong government that promotes not only growth, but also widespread economic well-being and reduced inequality.

PAPER

Leveling the Playing Field between Inherited Income and Income from Work through an Inheritance Tax

Lily Batchelder (New York University School of Law)

The federal taxation of intergenerational transfers is largely levied on estates, with only the largest estates subject to tax. As Batchelder explains, this is not the most efficient or most equitable way to tax intergenerational transfers. Moreover, it means that income from inheritances is on average taxed at a much lower rate than is income from work and savings. An inheritance tax would reduce inequality while also simplifying the tax system and reducing the scope for costly tax avoidance.

PAPER

Taxing Multinational Companies in the 21st Century

Kimberly Clausing (Reed College)

Optimal taxation of multinationals aims to maintain a strong corporate tax base while also preserving the competitiveness of U.S. firms. Unfortunately, the Tax Cuts and Jobs Act of 2017 fell far short of the first objective without meaningfully improving the second. Clausing proposes a number of reforms—both for the short- and medium-run—that would rebalance the international tax regime. A core area of focus is formulary apportionment, which Clausing compares to alternative approaches.

PAPER

How to Increase Growth While Raising Revenue: Reforming the Corporate Tax Code

Jason Furman (Harvard Kennedy School)

The Tax Cuts and Jobs Act of 2017 implemented a range of corporate tax reforms, including a reduction in the top corporate income tax rate to 21 percent, changes in the treatment of pass-through firms, and the repeal of the corporate alternative minimum tax, among many others. Furman rethinks many aspects of that legislation with the objective of raising revenue in an efficient and progressive manner. In particular, he proposes reforms to expensing, interest deductions, and tax rates that would simplify the corporate tax code, be more growth friendly, and yet raise more revenue than the current system.

PAPER

Raising Revenue with a Progressive Value-Added Tax

William Gale (The Brookings Institution)

One of the most important differences between the U.S. tax system and that of most other developed countries is the lack of a national consumption tax in the United States. In particular, the value-added tax (VAT) has proven to be an efficient and administrable revenue source for many governments. Gale draws insights from those experiences as he proposes a specific design for a U.S. VAT that, when combined with a generous rebate, can raise substantial revenue in a progressive way.

PAPER

A Proposal to Tax Financial Transactions

Antonio Weiss (Harvard Kennedy School) and Laura Kawano (University of Michigan)

Significant taxes on financial transactions (FTTs) have been used or proposed in several developed economies. The United States has limited recent experience with such taxes, but insights from abroad—and from a careful assessment of U.S. financial markets—can shed light on the likely costs and benefits of a significant FTT. Weiss and Kawano develop a proposal for an FTT that acknowledges the implementation challenges, as well as the potential to raise substantial additional revenue in a progressive manner.

PAPER

Taxing Wealth

Greg Leiserson (The Washington Center for Equitable Growth)

Recent policy discussions have included a number of ambitious proposals to tax wealth outside of traditional mechanisms like the estate tax. Clearly stating what is known about the advantages and disadvantages of different approaches to wealth taxation is necessary for a fair evaluation of these policies. Leiserson develops a menu of options, including a direct wealth tax and mark-to-market taxation of investment income, explaining the implementation challenges and likely effects of each.

PAPER

Tax Reform for Progressivity: A Pragmatic Approach

Natasha Sarin (University of Pennsylvania Law School), Lawrence H. Summers (Harvard University), and Joe Kupferberg (Harvard University and University of Pennsylvania)

Tax policy debates often focus on the rate at which a tax is levied, rather than on the income base to which the tax is applied. But the details of what constitutes taxable income are critical for determining how much revenue a tax raises and how efficient it is in doing so, as well as the distributional implications of the tax. Sarin and Summers propose to broaden the taxable income base as part of an overall reform to raise revenue in a progressive manner. As part of this reform, they give particular attention to strengthening tax enforcement.