

COMMON GROUND COMMITTEE PUBLIC FORUM: February 12, 2012

Rethinking Taxes

Panelists Rethink US Federal Taxes



COMMON GROUND COMMITTEE MISSION STATEMENT

*TO PURSUE INITIATIVES THAT WILL REVEAL COMMON GROUND
FOR FINDING TRUTH, CLARITY, UNDERSTANDING, AND PROGRESS
ON ISSUES OF IMPORTANCE IN A CIVIL MANNER THAT DOES NOT
REQUIRE COMPROMISE OF FUNDAMENTAL PRINCIPLES.*

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Rethinking Taxes

KEY AREAS	<i>RETHINKING TAXES: NEW TAX POLICY FOR A CHANGE?</i>		
1-3	CUT TAX RATES as Much As POSSIBLE	COMMON GROUND Making it Happen!	RAISE Enough REVENUE To FUND Gov't Role Economy
1. Current Tax Realities: <ul style="list-style-type: none"> - Impact on economy - Impact on society - Impact on budget 			
2. Goal of tax reform: <ul style="list-style-type: none"> - Deficit Reduction - Fairness - Economic growth 			
3. Rethinking Implementing: <ul style="list-style-type: none"> - Can we be both more fair & pro-growth? - Can we stimulate economy and improve budget balance? - What are the 			

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Rethinking Taxes

KEY AREAS 1-3	<i>RETHINKING TAXES: NEW TAX POLICY FOR A CHANGE?</i>		
	CUT TAX RATES as Much As POSSIBLE	COMMON GROUND Making it Happen!	RAISE Enough REVENUE To FUND Gov't Role Economy
impediments?			

Panelists revise Cut Tax Rates Fund Government & input on Common Ground?

<i>RETHINKING TAXES</i>			
1. REALITIES Today's Tax Policy Impacts?	CUT TAX RATES as much as POSSIBLE	COMMON GROUND Making it Happen!	RAISE Enough Revenue TO FUND GOVT'S ROLE In The Economy
Impact on the Economy	<ul style="list-style-type: none"> • Lower tax rates stimulate private-sector growth. • Cut government spending, income effects are real • Negative effects of tax code (unfair), not just labor supply. • Two flat taxes: static and revenue neutral 	<p>Agreement: The 1990s & 2000s reflected over-taxation, not net income-substitution</p> <p>Agreement: TAX CODE THAT'S FAIR & SIMPLE</p>	<ul style="list-style-type: none"> • Targeted spending / investments stimulate growth and demand. • Elasticity: response to tax rate, exag-gerates reactions/tweaks Enforcement limits evasion.
Impact on the	<ul style="list-style-type: none"> • Lower corporate tax 		<ul style="list-style-type: none"> • National investments e.g.

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1. REALITIES Today's Tax Policy Impacts?	CUT TAX RATES as much as POSSIBLE	COMMON GROUND Making it Happen!	RAISE Enough Revenue TO FUND GOVT'S ROLE In The Economy
Economy	rates render the US more competitive globally.		infrastructure & key industries (e.g., autos, green energy) are strategic opportunities for investment that render US more competitive globally.
Impact on the Economy			<ul style="list-style-type: none"> Revenue shortfalls lead to unsustainable debt levels.
Impact on Society	<ul style="list-style-type: none"> Lower tax rates boost free enterprise, risk taking, job creation, and productivity. 	Agreements: <ul style="list-style-type: none"> Flat tax on types of income that works and doesn't hurt the lower income earners Do not favor any type of income Only tax income once 	<ul style="list-style-type: none"> Targeted taxation (higher taxes on the wealthy) closes widening income gap and bridges class divide
Impact on Society	<ul style="list-style-type: none"> Tax rates could be uniformly lower and 	Agreements: <ul style="list-style-type: none"> Lowering rates this 	<ul style="list-style-type: none"> Eliminating subsidies to corporations that don't

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1. REALITIES Today's Tax Policy Impacts?	CUT TAX RATES as much as POSSIBLE	COMMON GROUND Making it Happen!	RAISE Enough Revenue TO FUND GOVT'S ROLE In The Economy
	revenues higher if base was broader.	way will increase revenue • Simple and fair for valued government without debt burdens	need them reduces economic distortions, the middle class tax burden and the deficit.
Impact on Society		Agreements: <ul style="list-style-type: none"> • Full employment reduces transfer payments • Simplification reduces tax filing costs • Pay what is collected • Need new people in congress who can focus on agreement 	
Impact on the	• While lower tax rates		• Stimulus spending

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1. REALITIES Today's Tax Policy Impacts?	CUT TAX RATES as much as POSSIBLE	COMMON GROUND Making it Happen!	RAISE Enough Revenue TO FUND GOVT'S ROLE In The Economy
Budget	initially boost the deficit, in time unleash economic growth & boosts revenue that reduces the deficit (supply side)		temporarily raises the budget deficit, but once it ends, its impact on the debt is minimal.
Impact on the Budget	<ul style="list-style-type: none"> We need to increase the tax base to control the deficit until higher revenues kick in. 		<ul style="list-style-type: none"> We cannot achieve a sustainable budget without new revenues. We should start by increasing taxes on those who can afford it.

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Panelists revise Cut Tax Rates & Fund Gov't + CG

RETHINKING TAXES			
2. Goal of Tax Reform?	CUT TAX RATES as much as POSSIBLE	COMMON GROUND Making it Happen!	RAISE Enough Revenue TO FUND GOVT'S ROLE In The Economy
Deficit Reduction	<ul style="list-style-type: none"> Stimulate growth by cutting taxes, which nets new revenues. 		<ul style="list-style-type: none"> Stimulate growth (& revenues) by investing in strategic areas. Avoid new borrowing by broadening tax base & taxing those who can afford it.
Fairness	<ul style="list-style-type: none"> Reduce opportunities & incentives for tax avoidance, e.g., businesses holding cash offshore, government subsidies. 	Agreements: <ul style="list-style-type: none"> Those who have more should pay more: but be careful about over-taxing job creators. Hard to raise revenue. 	<ul style="list-style-type: none"> End preferential tax treatment for different types of income, like the earnings of hedge fund managers.
Fairness	<ul style="list-style-type: none"> Flat tax ensures everyone pays their proportional fair share. 	Conundrum: <ul style="list-style-type: none"> Pledges are significant, not by themselves bad, but can limit positive compromise. 	<ul style="list-style-type: none"> Progressive taxation levels the playing field and strengthens the middle class.

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RETHINKING TAXES			
2. Goal of Tax Reform?	CUT TAX RATES as much as POSSIBLE	COMMON GROUND Making it Happen!	RAISE Enough Revenue TO FUND GOVT'S ROLE In The Economy
		Strong Agreement: 1986-type tax reform valued	
Fairness		Agreements: <ul style="list-style-type: none"> • Tax breaks for lower rates (corporate 35% down to mid-20s (28%). • Implication—Someone will lose: such as manufacturing and financial (debt financing) 	
Economic growth	<ul style="list-style-type: none"> • Boost entrepreneurship and strengthen global competitiveness. 	Jared & Art willing to consider writing a piece together.	<ul style="list-style-type: none"> • Address market failures both through stimulus in recession and investment where market is inefficient (e.g., public infrastructure, alternative energy)

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Panelists revise Cut Tax Rates & Fund Government + Common Ground

RETHINKING TAXES			
3. RETHINKING IMPLEMENTING	CUT TAX RATES as much as POSSIBLE	COMMON GROUND Making it Happen!	RAISE Enough Revenue TO FUND GOVT'S ROLE In The Economy
<p>Can we be both more fair & pro-growth?</p>	<ul style="list-style-type: none"> • Goal: A simple, flat tax that stimulates entrepreneurialism and feels fair across all economic strata. • Beneficiaries, not just those paying lower rates, such as those who get jobs 	<p>Agreements:</p> <ul style="list-style-type: none"> • Take the tax code out of business decisions. • Invest in people • Both agree on positive value for government: but need to be careful about unintended consequences of safety nets • How: Lump sums or phase out can work 	<ul style="list-style-type: none"> • Goal: Productive, government-backed initiatives broad enough (e.g., superhighways, Internet) that they don't play favorites or create an expectation of continual funding.
<p>Can we stimulate economy and improve budget balance?</p>	<ul style="list-style-type: none"> • Goal: Trigger the supply-side growth curve in a way that attacks the deficit in a reasonable period of time. 	<p>Agreements:</p> <ul style="list-style-type: none"> • Optimize revenue: not maximize it • Education for civilized society & preparing citizens for jobs 	<ul style="list-style-type: none"> • Goal: Government investments with a strong rate of return, and a sunset provision, and offsetting cuts or new revenue.

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RETHINKING TAXES			
3. RETHINKING IMPLEMENTING	CUT TAX RATES as much as POSSIBLE	COMMON GROUND Making it Happen!	RAISE Enough Revenue TO FUND GOVT'S ROLE In The Economy
Can we stimulate economy and improve budget balance?		Agreements: <ul style="list-style-type: none"> • Growth is important • Tax codes do discriminate Ongoing disagreement on key issue: <ul style="list-style-type: none"> • Deficits or spending? 	
What are the impediments?	<ul style="list-style-type: none"> • If we go flat, can we also lose deductions like mortgage interest? 		<ul style="list-style-type: none"> • If we stay progressive, can we cut entitlements (social and defense) significantly to bring budget into balance?
What are the impediments?	<ul style="list-style-type: none"> • Can we eliminate subsidies? 		<ul style="list-style-type: none"> • How do we avoid a culture of dependency?
What are the impediments?	<ul style="list-style-type: none"> • What do we do about taxes on capital (e.g., capital gains, estate)? 		
Surprises			<ul style="list-style-type: none"> • Adequate funding requires a broader base

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Rethinking Taxes

Researched by Christian Science Monitor & Edited by Panelists

KEY AREA			<i>Rethinking Taxes</i>	
1. REALITIES	CUT TAX RATES As Much As POSSIBLE	RAISE Enough REVENUE TO FUND GOVT'S ROLE In The Economy		
Impact on the Economy	<ul style="list-style-type: none"> • Lower tax rates stimulate private-sector growth. • Lower corporate tax rates render the US more competitive globally. 	<ul style="list-style-type: none"> • Targeted spending / investments stimulate growth and demand. • National investments such as infrastructure and key industries (e.g., autos, green energy) are strategic opportunities for investment that render the US more competitive globally. • Revenue shortfalls lead to unsustainable debt levels. 		
Impact on Society	<ul style="list-style-type: none"> • Lower tax rates boost free enterprise, risk taking, job creation, and productivity. • Tax rates could be uniformly lower and revenues higher if base was broader. 	<ul style="list-style-type: none"> • Targeted taxation (higher taxes on the wealthy) closes widening income gap and bridges class divide. • Eliminating subsidies to corporations that don't need them reduces economic distortions, the middle class tax burden and the deficit. 		
Impact on the Budget	<ul style="list-style-type: none"> • While lower tax rates initially boost the deficit, in time they unleash economic growth and boosts revenue that reduces the deficit (supply side) • We need to increase the tax base to 	<ul style="list-style-type: none"> • Stimulus spending temporarily raises the budget deficit, but once it ends, its impact on the debt is minimal. • We cannot achieve a sustainable budget without new revenues. 		

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KEY AREA <i>Rethinking Taxes</i>		
1. REALITIES	CUT TAX RATES As Much As POSSIBLE	RAISE Enough REVENUE TO FUND GOVT'S ROLE In The Economy
	control the deficit until higher revenues kick in.	<ul style="list-style-type: none"> We should start by increasing taxes on those who can afford it.

KEY AREA <i>Rethinking Taxes</i>		
2. Goals of Tax Reform	CUT TAX RATES AS MUCH AS POSSIBLE	RAISE Enough REVENUE TO FUND GOVT'S ROLE In The Economy
Deficit Reduction	<ul style="list-style-type: none"> Stimulate growth by cutting taxes, which nets new revenues. 	<ul style="list-style-type: none"> Stimulate growth (and revenues) by investing in strategic areas. Avoid new borrowing by broadening the tax base and taxing those who can afford it.
Fairness	<ul style="list-style-type: none"> Reduce opportunities and incentives for tax avoidance, e.g., businesses holding cash offshore, government subsidies. Flat tax ensures everyone pays their proportional fair share. 	<ul style="list-style-type: none"> End preferential tax treatment for different types of income, like the earnings of hedge fund managers. Progressive taxation levels the playing field and strengthens the middle class.
Economic growth	<ul style="list-style-type: none"> Boost entrepreneurship and strengthen global competitiveness. 	<ul style="list-style-type: none"> Address market failures both through stimulus in recession and investment where market is inefficient (e.g., public infrastructure, alternative energy)

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Background Researched by the Christian Science Monitor

KEY AREA	<i>Rethinking Taxes</i>	
3. RETHINKING IMPLEMENTATION	CUT TAX RATES AS MUCH AS POSSIBLE	RAISE Enough REVENUE TO FUND GOVT'S ROLE In The Economy
How can we be both fair & pro-growth?	<ul style="list-style-type: none"> • Goal: A simple, flat tax that stimulates entrepreneurialism and feels fair across all economic strata 	<ul style="list-style-type: none"> • Goal: Productive, government-backed initiatives broad enough (e.g., superhighways, Internet) that they don't play favorites or create an expectation of continual funding.
How can we stimulate economy and reduce the deficit?	<ul style="list-style-type: none"> • Goal: Trigger the supply-side growth curve in a way that attacks the deficit in a reasonable period of time. 	<ul style="list-style-type: none"> • Goal: Government investments with a strong rate of return, and a sunset provision, and offsetting cuts or new revenue.
What are the impediments?	<ul style="list-style-type: none"> • If we go flat, can we also lose deductions like mortgage interest? • Can we eliminate subsidies? • What do we do about taxes on capital (e.g., capital gains, estate)? 	<ul style="list-style-type: none"> • If we stay progressive, can we cut entitlements (social and defense) significantly to bring budget into balance? • How do we avoid a culture of dependency?

Additional Background Researched by the Christian Science Monitor

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3. RETHINKING IMPLEMENTING	CUT TAX RATES as much as POSSIBLE	COMMON GROUND Making it Happen!	RAISE Enough Revenue TO FUND GOVT'S ROLE In The Economy
Details to address			
	<ul style="list-style-type: none"> • Must tax be flat? Can it be low with graduated rates at the high end to signal fairness? 		<ul style="list-style-type: none"> • Can progressive tax also be low tax?
	<ul style="list-style-type: none"> • Should capital continue to receive favorable treatment? 		<ul style="list-style-type: none"> • Does fairness also imply no double taxation on income when it comes to capital gains?
	<ul style="list-style-type: none"> • At time of historic government debt, what is source of new government revenue? 		<ul style="list-style-type: none"> • Can new tax revenue be raised without chilling economic growth?

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