

The Fair Tax. *Senator Bill Bradley, Pocketbook* New York, 1984, p. 190.

The impending arrival of April 15th can generate a challenge that most individuals would rather avoid. Senator Bill Bradley in this book presents an alternative to the complex mass of forms and codes, loopholes and shelters to which the taxpaying public is currently subjected. This is done in a style easily read so that the reader need not be a tax analyst to comprehend the book. A legislator or a tax specialist should be aware that this book enables the reader to conduct a meaningful inquiry into the inequities of our tax laws.

Prior to submitting his plan for changes in the federal income tax laws the author endeavors to make the reader more comfortable with the subject of taxation. He opens the book with an anecdote relating his first exposure to income tax as a basketball player. The Senator admits to a lack of understanding of the tax laws at that time. Bradley recounts that after talking with his accountant he was amazed to discover the numerous ways in which he could manipulate his income to avoid taxation. Simultaneously, he experienced considerable frustration due to the voluminous and ambiguous nature of the code.

Bradley declares that his experience is a common one. He states that this shortcoming is a natural phenomenon. The Senator notes first that the tax code and the tax regulations are in excess of twelve hundred pages. Second, he cites the voluminous court decisions affecting their application. Finally, Bradley points to the confusing path which one must follow in order to locate particular exemptions and deductions.

It is due to those inequities that the Senator has as the basis of his proposal the need for simplification of the federal income tax laws. He attributes the tax inequities to the complexities of the present code. He provides several illustrations as to the tax unfairness including an example in which two taxpayers with identical income pay vastly different amounts in taxes. He concludes that loopholes in the tax laws have allowed many individuals and entities substantial tax free income.

As the Senator presents these fact patterns, he is not in any way making a moral judgment as to the eligibility of parties to

receive such benefits. Rather the emphasis of the analysis is on the development of income tax laws.

Senator Bradley then continues with the theme by discussing the evolution of income tax law in the United States. The reader learns that income tax was originally enacted to aid the economy in times of war and did not become a permanent assessment until 1913. Bradley focuses, however, on the period subsequent to the Korean War, as giving rise to an unfair, complicated system of taxation. It was during this time that the economy was strong and individual salaries were increasing. In addition to or because of this, there was a growth of special interest groups. These special interest groups sought and were granted loopholes or exceptions to their payment of taxes. It is the author's contention that because individual salaries increased, the tax base also enlarged so that these benefits to the special interest groups were effectively unnoticed by the tax paying public.

Today, however, the economy is not experiencing the same level of growth as it did in the late 1950's. The creation of special benefits has resulted in an uneven distribution of the tax burden. Due to the many exemptions that have been granted, the tax base has eroded and therefore taxpayers who fail to fit within exemptions must expend a larger percentage of their income for the payment of taxes. As a consequence, these individuals and entities then request tax exemptions to benefit their interests. If these are granted the tax base further erodes.

In providing this overview Bradley enables the reader to understand how the tax laws developed into the mass of regulations which exist today. He demonstrates the inequities and further establishes the theme of unfairness to the taxpayer.

A criticism to the author's analysis is that he primarily concentrates on the effect of tax laws upon the individual taxpayer. His theory is that individuals are unjustly treated. He censures business interests for their manipulation of the tax laws. He does not fully acknowledge, however, that business interests depend upon the current tax laws in making long term planning decisions. The author fails to recognize that businesses are composed of individuals and individuals depend upon their business entity for employment and survival.

The author, in addition, fails to discuss the application of the

federal tax structure upon municipalities and other tax-free entities. These entities may also rely upon the existing tax law in their fiscal planning and policies. For example, a situation may arise wherein a municipality, for a number of reasons, may choose to sell a township building with the intention of leasing it back from the buyer. Such a transaction creates tax advantages for all parties involved. The buyer would be entitled to exercise exemptions available under the federal income tax laws and therefore pay less income tax. The township would profit in that money obtained from the payment of property taxes would not be used to maintain the premises. The budgetary needs of the township would be decreased resulting in a lower property tax rate for the residents of the municipality. If there was to be a loss of this advantage the question arises whether the benefit derived from a new system of federal taxation would be outweighed by an increase in local taxes.

This issue and others are not discussed in the book. The Senator does not consider the dependency of state and local governments on the present tax system. Rather his examination is only from the perspective of factors affecting the federal income tax system. Income tax laws should not be revamped without considering the positions of all entities which would be affected.

Senator Bradley presents his overview of the current tax situation in the first chapters of the book. This is done to provide a background for his proposed solution to the problem of inefficient taxation. His plan called "The Fair Tax" has as its objective the reduction of tax rates through the elimination of tax loopholes. Cooperation on the part of all taxpayers is stressed as the method of achieving this goal.

The Senator raises the question asked by every taxpayer: "Why should I give up a tax loophole?" Taxpayers do not want to forfeit tax benefits which have been acquired. The Senator's response is very simple. The Fair Tax is an agreement between all parties; everyone will give up tax benefits and the result will be a larger tax base upon which to tax. Since there will be a larger tax base, the individual tax amount due will be less. This is a simple solution to a complex problem but the author continually reminds the reader that everyone is the current beneficiary of some tax exemption and in order to have a workable plan, everyone must give up something. His enthusiasm for the proposal

encourages the reader to believe that with cooperation this could be an equitable system of taxation.

The author makes firm his position that the effectiveness of his plan requires changing the whole system of taxation at once. It cannot be a piecemeal solution. For if changes are made affecting only some groups, then the result is merely a shift of the economic burden to another group. The plan of Senator Bradley does not shift the burden. It creates a new system whereby people who earn more income, pay more in taxes, but not so much tax as to discourage the incentive to work.

The Fair Tax would also lower the tax rates of corporations. At the same time, however, loopholes would no longer be available to avoid taxation.

Senator Bradley repeatedly declares that his proposal is not a redistribution of the tax burden. He acknowledges the existence of tax groups based upon income and states that each economic group will continue to pay the same amount in taxes. His plan is such, however, that the closure of loopholes will allow the burden of the group to be more evenly distributed. The result to be achieved is equality, fairness and simplicity to all taxpayers.

Although this book can be criticized for its inspiring or simplistic approach to a complicated issue, this may be its greatest asset. Senator Bradley, in this book, examines a topic of which many individuals are in awe and makes it comprehensible. His straightforward style encourages a reader, regardless of his educational background, to confront the tax issue and in so doing, to formulate an opinion about a difficult problem. Irrespective of the final determination of the Fair Tax Bill, the knowledge to be obtained by reading this book is of tremendous value.

Mary O'Keefe Massey