

Preface

SINCE 1981, when we first introduced our flat-tax plan, we have talked about it on more than a thousand occasions. These include hearings before the Joint Economic Committee, the Senate Finance Committee, and the House Ways and Means Committee; discussions with dozens of members of Congress; briefings at the Department of the Treasury and with the White House staff; seminars and lectures at dozens of universities and colleges; interviews with hundreds of newspaper and magazine reporters and television crews in the United States and overseas; dozens of appearances on call-in radio shows around the country; and countless speeches before a variety of professional and civic organizations. We have heard tirades of criticism of the current federal income tax and received much praise for our flat-tax alternative. We have also heard every possible objection to our flat-tax plan and have tried to answer each of them. We remain convinced, as ever, that the adoption of the flat tax would give an enormous boost to the U.S. economy by dramatically improving incentives to work, save, invest, and take entrepreneurial risks. The flat tax would save taxpayers hundreds of billions in direct and indirect compliance costs. It would also shift billions of dollars from investments that reduce taxes to those that produce goods and services.

This book sets forth the flat-tax plan we have devel-

oped. It is, we believe, the most fair, efficient, simple, and workable plan on the table.

Under our flat tax, all income would be taxed once and only once, at a uniform low rate of 19 percent. Our plan is fair to ordinary Americans because it would permit a tax-free allowance of \$25,500 for a family of four. The family would pay a tax of 19 percent on its earnings above that allowance. Millions of U.S. residents would no longer pay any income taxes. All wage earners would pay less tax under our flat tax than under the current system.

Our flat tax would eliminate the distortions of the present tax treatment of business. It would replace a hodgepodge of depreciation schedules with an effective investment incentive, a first-year write-off. It would reduce the current corporate tax of 35 percent to 19 percent. It would eliminate double taxation of business income by ending taxation of dividends and capital gains.

Our flat tax adheres to the principle of a consumption tax: people are taxed on what they take out of the economy, not on what they put in.

Our flat tax is not an academic abstraction. We have designed tax forms, rewritten the Internal Revenue Code, and worked out all the practical details. The flat tax has withstood the scrutiny of leading experts on taxation and has been endorsed enthusiastically by many of them. Both the *New York Times* and the *Wall Street Journal* have endorsed our flat tax. Both Republicans and Democrats have introduced it as bills in previous sessions of Congress.

Opponents of the flat tax have charged that it would

imperil homeowners and the real estate industry, reduce charitable contributions, and provide a windfall to the rich. These are charges we take seriously. We will show that they are mistaken. Adopting the flat tax would improve the overall performance of the economy. Housing and charitable giving would flourish. Everyone's after-tax income would rise.

All designers of rival tax plans agree that the tax base must be broadened and that tax rates must be lowered. Our flat tax meets the tests of efficiency, equity, and simplicity better than every other plan that has been proposed.

In the previous edition of our book, we thanked those individuals and organizations that helped us formulate our ideas, promote the flat tax, and bring it before Congress and other public officials. To those previous acknowledgments, we add the following: Bruce Herschensohn, who made our flat-tax proposal a centerpiece of his 1992 California campaign for the U.S. Senate; Congressman Dick Arney (and his legislative assistant, Andrew A. Laperriere), who introduced a variation of our flat tax in the 103rd Congress; and Malcom S. Forbes Jr., who has remained a staunch supporter of our flat tax for many years. Bruce Bartlett graciously supplied us with an extensive bibliography; Christopher Wilkins and Christopher Sleet provided invaluable research assistance.

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