

Foreword: The Volcker Task Force on Tax Reform

By Robert Goulder

On March 25 President Obama announced the creation of a special task force to review the shortcomings of the U.S. tax system. The group is part of the President's Economic Recovery Advisory Board and has come to be known as the Volcker task force because of the appointment of Paul Volcker as the board's chair.

Volcker is being assisted by Austan Goolsbee, the president's senior economic adviser, who serves as the board's staff director. Members of the task force include Martin Feldstein, Laura D'Andrea Tyson, Roger Ferguson Jr., and William Donaldson. They have been charged with presenting Treasury Secretary Timothy Geithner with a report and recommendations by December 4.

Mindful that it faces considerable challenges, we at Tax Analysts wish the task force success on this critical project. Its mission, like ours, is to foster a tax system that is fairer, simpler, and more economically efficient. Every American stands to benefit from a tax system that better serves these shared interests.

We are proud to present the task force, and the taxpaying public, with this collection of original essays to aid in that endeavor. We have assembled a roster of the most experienced and knowledgeable experts in the tax community to offer specific proposals on how to improve our tax system. We sought contributing authors with diverse backgrounds, drawing from a pool of internationally respected lawyers, economists, academics, and — knowing that taxation will inevitably be viewed through a political prism — liberals and conservatives.

Each essayist was presented with a hypothetical scenario: Imagine having five minutes alone with task force members to advise them on what features of the tax system most need fixed and how you would change them. The writers were limited to roughly 1,000 words, a restriction that necessitates concise analysis and clarity of thought. Countless volumes, if not entire libraries, have been devoted to tax reform. We do not seek to replicate those

exercises here. We anticipate that readers will appreciate that these essays waste little time in getting to the point.

We are grateful to the authors who undertook this project. For each of them, as for us, the pursuit of optimal tax policy is a labor of love.

Reflections on the Mission

Like many other Americans, we welcome any rethinking of our country's tax system. Our enthusiasm must be tempered by the need to be realists. Previous groups have conducted similar reviews of our tax regime but generated little in the way of concrete results. The most recent report was less than four years ago (November 2005), courtesy of President George W. Bush's Advisory Panel on Federal Tax Reform.

But things are different now. There is reason to hope that the task force may produce lasting benefits. Not only do we have an administration that professes to embrace change, but our country's economic situation is more precarious than at any other time in recent history. The same budget projections that suggest a dismal future might serve as a necessary catalyst for genuine reform. History teaches that it often takes a crisis of great magnitude to force Congress's hand, especially on such politically sensitive matters as taxes.

The influence of that sensitivity cannot be overstated. The perceived failing of Bush's advisory panel was that it dared to question the prevailing incentives for homeownership, the treatment of employer-provided healthcare coverage, and the deductibility of state and local tax payments. In other words, generous tax expenditures were labeled as such. One hopes that this time, everything will be on the table, even the sacred cows of the Internal Revenue Code.

At one level, the scope of the task force has been narrowly defined. Office of Management and Budget Director Peter Orszag initially told reporters the group's mandate was to: (1) reduce the tax gap, (2) simplify compliance burdens, and (3) close loopholes that enable "corporate welfare."

Those are worthy goals. But many Americans will be disappointed if the task force limits itself to those problems. Larger issues are at play, and our fiscal circumstances beg for a broader

review of U.S. tax policies. This is especially true in light of changes in the global economy in which U.S. businesses must operate. Decades of piecemeal legislative tinkering have resulted in a fragmented statutory scheme that can be characterized as disjointed and dysfunctional.

We know that America can do better. This project represents an opportunity to wipe the slate clean and provide our nation with the tax system it deserves.

Comments? E-mail Tax Analysts at TowardTaxReform@tax.org. ■

THE PRESIDENT'S ECONOMIC RECOVERY ADVISORY BOARD

CHAIR

Paul Volcker

Former Chair, Federal Reserve Board

STAFF DIRECTOR

Austan Goolsbee

Senior Economic Adviser to President Barack Obama

TASK FORCE MEMBERS

Martin Feldstein

Professor of Economics, Harvard University
Former Chief Economic Adviser to President Ronald Reagan

Laura D'Andrea Tyson

Professor of Economics, University of California at Berkley
Former Economic Adviser to President Bill Clinton

Roger Ferguson Jr.

CEO, TIAA-CREF
Former Vice Chair, Federal Reserve Board

William Donaldson

Former Chair, Securities and Exchange Commission