This writing assignment is different than the two prior assignments. I’d like to hear your proposal for tax reform in the U.S. Tell me the specific policies you’d like to see changed and what new ideas you’d introduce. Mention those that relate to the administration of both the taxation of individuals and businesses. In your discussion, please discuss the following:

1. Would you move towards a consumption tax base, an income tax base, or a combination of the two?
2. How do your proposals promote economic efficiency?
3. What are the distributional impacts of your proposals?
4. How do you weigh efficiency vs. equity?
5. What are the effects on government revenue? What are your considerations here (e.g., do you require budget neutrality or not)?
6. How do your proposals affect administration of the tax code? Compliance?
7. What happens to the tax treatment of different business entities?
8. What are the potential political barriers to implementation?

I would like you support your proposals by presenting your own analysis of the data or citing academic articles or government reports which provide estimates of the revenue, efficiency, and distributional impacts. For example, if part of your reform is to eliminate the accelerated depreciation, you might look at the estimates in the Tax Expenditure Budget provided in the President’s Budget to give you and idea of the revenue effects of that proposal. Remember to apply some of the economic concepts we learned in class. The goal of the class was to get you familiar with the U.S. tax system and be able to consider alternative policies. This assignment will demonstrate how well you have grasped this.