



# current and quotable

## 'If Americans Really Understood The Income Tax'

By Mortimer M. Caplin

Below is the foreword written by Mortimer M. Caplin to the new book *If Americans Really Understood the Income Tax, Uncovering Our Most Expensive Ignorance*, by John O. Fox, Westview Press, 2001, 344 pages, \$30 (hardcover). Reprinted by permission of Westview Press, all rights reserved. To order, call 1-800-386-5656. This book is also available in bookstores. Mortimer Caplin is a senior member with Caplin & Drysdale, Washington, D.C., a former IRS Commissioner, and professor emeritus at the University of Virginia.

John Fox's superb new book, *If Americans Really Understood the Income Tax*, is timely and essential reading as a new President and Congress deliberate which tax laws are in the country's best interest for this century.

When I served on President Kennedy's Tax Task Force and, later, as his Commissioner of the Internal Revenue Service, I became convinced that America's tax system needed major surgery. Multi-million-dollar loopholes for certain industries and classes of individuals, combined with onerously high tax rates for the great mass of taxpayers, were endangering public confidence in the entire federal tax structure. After returning to private practice, I urged Americans to send an outpouring of letters to Congress to end its ongoing destructive policy of legislating special tax privileges.

That outpouring never occurred. While tax rates have fallen considerably, too many of the underlying laws have become increasingly complex and worse — much worse. Because of this trend, I think it vitally important to the health and strength of this nation that people across the land read Fox's book. They will learn why Congress must greatly simplify the laws, eliminating all but the most compelling tax-relief provisions, and simultaneously reduce tax rates for everyone. They will be surprised to discover, as Fox ably demonstrates

in an entire chapter devoted to the subject, that reforms along these lines in fact advance the fundamental beliefs of both conservatives and liberals alike.

Two myths sustain most relief or so-called incentive provisions — that they make the laws "fairer" or "promote economic growth." No one has written more persuasively than Fox why this rarely is true, and why most taxpayers would be best served by a far simpler, broad-based, lower-rate system guided by a single principle: People with equal dollar ability to pay taxes should pay the same amount, and people with greater dollar ability to pay should pay more. According to this principle, two married couples, each with two children and the same income, generally would expect to pay the same taxes, regardless of who their employers might be, the sources of their income, or how they spend that income. Yet Fox enumerates well over 100 special laws that allow one such couple to pay less, and often far less. In fact, nothing in our tax laws assures that if the Joneses have considerably more income than the Smiths, the Joneses will pay considerably more. Indeed, they may pay less.

With great clarity, Fox explains why simpler, more equitable laws would actually be more conducive to economic growth. They also would stunningly demonstrate to the nation Congress's willingness to focus and act more pointedly on the basis of principle rather than politics, which surely would earn our greater trust and enhance more accurate reporting on tax returns.

In sum, Fox argues convincingly that reforming the tax laws does not require adopting a flat tax or a consumption tax, but that it does require Congress to (1) eliminate or restrict most special deductions, exclusions, and deferrals, and thereby curb excessive manipulations of the tax laws to promote discrete social and economic objectives, (2) retain only essential tax credits making them more selective and efficient, (3) lower all progressive rates across the board, and (4) cease sidestepping budgetary constraints through tax code "backdoor financing."

In this highly readable and straightforward book, Fox gives the public at large — and tax experts as well — valuable tools to better understand the competing forces at work in legislating tax policy. With these tools at hand, ordinary citizens, by exercising their collective voices, might well be heard by Congress and the White House alike.