Fix the Debt
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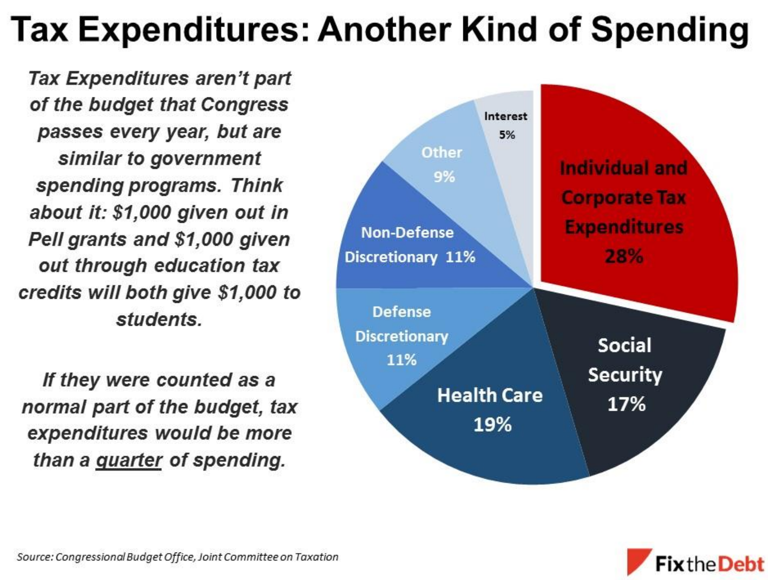
Debt and Taxes: The Need for Fundamental Tax Reform

The last major, bipartisan tax reform in this country was over thirty years ago. Since then, American taxes have grown in complexity, with the U.S. tax code now containing some **4 million words** that sanction **$1.6 trillion annually in lost revenue** through various tax breaks and loopholes. The U.S. has fallen behind other countries in competitiveness. Yet, revenue is not keeping up with spending. The time has come for fundamental tax reform that makes the tax code simpler and fairer, promotes competitiveness and economic growth, and reduces deficits. Tax reform must be a critical part of any plan to fix the national debt.



Spending through the tax code increases complexity and reduces fairness

- The tax code is littered with $1.6 trillion of deductions, credits, and other tax preferences referred to as tax expenditures because they are essentially spending through the tax code.
- If counted as part of the federal budget, tax expenditures would represent more than one-quarter of all federal spending.
- These preferences increase complexity, reduce fairness, and decide winners and losers based on political connections instead of economic impact.

The current tax code is inadequate to address our fiscal challenges

- The disparity between revenue and spending is forecast to increase in the years to come, meaning deficits will grow.
- Revenue is projected to grow from about 18% of the economy in 2017 to just over 19% in 2040. But spending will grow faster and from a higher starting point, increasing from about 21% of the economy to over 27% in 2040.

Tax reform must be a part of efforts to fix the debt and strengthen the economy

- Sheer complexity and higher-than-necessary tax rates hurt economic growth by driving up compliance costs and reducing incentives to work, save, and invest.
- Bipartisan proposals like the Simpson-Bowles illustrative tax plan show that comprehensive tax reform can reduce tax breaks to lower tax rates, improve simplicity and fairness, encourage economic growth, and reduce the deficit.