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of
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Before the Committee on Ways and Means
On Tax Reform
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Mr. Chairman and Members of the Committee on Ways and Means:
Americans For Fair Taxation (Fairtax.org) welcomes the chance to submit this written testimony for the Committee's first tax reform hearing. We understand that this initial hearing is limited to an overview of the principal objectives of reform – fairness, simplicity and growth – in anticipation of the recommendations from the President's Advisory Panel on Federal Tax Reform (which have been delayed until September 31, 2005). Fairtax.org submits this testimony in order to:

- offer its views on the criteria by which tax reform should be judged, the importance of defining those criteria and the relevance of holding hearings exploring those criteria;
- address two issues discussed by panelists, particularly the means of measuring fairness and as to the effect of tax reform on border adjustability; and,
- dispel two unfair myths that have been connected with the FairTax plan, namely the difficulty of compliance and the relevance of the tax-inclusive rate.

With more than 600,000 supporters, Fairtax.org is the nation's largest grassroots citizens' organization dedicated to fundamental tax reform. As a nonpartisan organization, we have engaged some of the nation's leading scholars and tax policy analysts to explore the infirmities of the existing system and the best means of correcting them. The product of our effort is the FairTax, which has been introduced by Representative John Linder as H.R. 25 and in the Senate as S. 25 by Senator Saxby Chambliss. The House bill now has 37 co-sponsors. We have engaged and we continue to engage academic scholars to study the effects of the FairTax on economic growth, fairness, international trade and specific industries. With the benefit of our research and our efforts towards fundamental reform, we respectfully offer the following insights within the narrow scope of this hearing.

Relevant criteria by which tax reform should be measured
The Internal Revenue Code and the U.S. tax system in general are nearly universally derided. Although many American taxpayers share a visceral disdain for the tax system, they hold that view for diverse reasons. The Tax reform debate by necessity cannot focus on one problem. The debate will encompass a wide range of competing problems searching out competing solutions.

In light of the complexity of the issues demanding resolution, a consensus must emerge over the common issues tax reform is meant to address before the effectiveness of competing plans can be analyzed. The salient problems with the current system must be identified before we can determine which ideas best address those problems.

As the Committee takes this first step along its historic task, the Chairman is to be commended for noting three major priorities that should drive any tax reform we enact: simplicity, fairness and economic growth. However, we would ask the Committee to expand upon those criteria by developing a methodology for measuring which system most effectively promotes these objectives. As the Committee begins the task of fact finding and deliberations, Fairtax.org offers what it considers to be the most important classifications of these problems. From our own analysis, from our evaluation of testimony and from the problems most commonly cited in our surveys and in the hearings, we suggest the Committee measure the success of tax reform alternatives against the following scorecard:

- How do the plans affect economic growth and real incomes? *Apart from lowering marginal rates, a system that eliminates the double taxation of income (is neutral as to savings and investment) will create more growth.*
- In a related inquiry, what is the base and therefore the required marginal rate to achieve revenue neutrality? *Not only is the marginal rate directly related to the base, but the marginal rate has a direct bearing on economic growth and evasion.*
- How do the plans encourage savings and investment? *Savings are responsive to a return on capital and consumption taxes remove the bias against savings.*
- How is education treated under the plans? *The cost of acquiring education is the cost of America's investment in its intellectual capital and the route to upward mobility.*
- How do the plans ameliorate complexity and compliance costs? *Not all plans are created equal in eliminating compliance costs long-term.*
- Does border adjustability really have no effect on international competitiveness or do the plans have vast differences in the way they affect international competitiveness (the ability of domestic producers to compete against foreign produced goods)? *Only destination-based consumption taxes are border adjustable.*
- How fair is the distribution of the burdens and benefits and how does it affect upward mobility? *Under a consumption tax, this question requires a multi-dimensional analysis.*
- How reliable is the plan as a source of revenue? *Under some plans, fluctuations in revenues present a problem.*
- How do the plans expose hidden taxes? *Plans can be distinguished by the ability of taxpayers to see what they truly pay for the cost of government.*
- How do the plans respect privacy and other civil liberties? *The tax laws need not be intrusive.*
- What effect will the plans have on charitable giving? *Plans differ as to the after-tax costs of giving.*
- What effect will the plans have on promoting home ownership? *Plans differ by raising or lowering the costs to the taxpayer of purchasing a home.*
- How will the plans affect tax evasion and tax avoidance? *Some tax reform proposals*

will do nothing to quell the swelling tax gap.

- How permanent is the plan (i.e., how resistant is it to unraveling)? *The Committee should consider the staying power of the reforms it recommends.*
- How does each plan affect global tax competition, tax rates and reform? *Some plans will encourage global tax reform (i.e., they are more contagious).*
- To what extent do the plans introduce and dispose of transition issues? *Many plans simply ignore the large transition issues they present.*

The FairTax plan best meets the criteria laid out before the Committee. We stand ready to offer the Committee more detailed testimony at future hearings to more fully address each of these issues. We would urge the Committee to review our web site, which contains a recent submission to the President's Panel on Tax Reform on these very points.

In identifying the tax reform alternative that is considered optimal, the inquiry begins with defining the public policy goals of tax reform. A more definitive level of agreement over those goals – if not the prioritization of them – is the political question that will better enable scholarly and objective analysis to analyze the plan that best succeeds in achieving those goals. Congress and the American people will be able to judge the effectiveness of proposals against these objective criteria without unnecessary political rhetoric. And as the Committee addresses the key questions, the true strengths and weaknesses of each plan will become evident.

The distributional methodology to ensure "fairness" should be measured in ways that are not biased against pro-growth tax policy.

Fairtax.org views favorably recommendations made by Dr. William Beach of the Heritage Foundation, who focused much of his oral testimony to the Committee on the need to change the method of measuring distribution. Dr. Beach argued that as the tax reform debate commences, the Committee should avoid the trap of income-tax biases when measuring distributional burdens of consumption taxes. Fairtax.org agrees, taking Dr. Beach's testimony one step further. The Committee should recognize the flaws of current distributional methodologies when seeking to make the tax system more pro-growth and progressive.

The Chairman recognized the importance of fairness as a key priority of tax reform and defines it as "similarly situated taxpayers bear[ing] similar tax burdens." Whether any tax reform plan is more equitably distributed than another will simultaneously be the most influential and contentious value judgment of the coming reform debate. In the final analysis, the question of distributional equity boils down to three inquiries: (1) how much *should* people of varying wealth, income or consumption pay in taxes and on what basis?; (2) how much *do* people of varying wealth, income or consumption pay under today's structure or alternative tax structures?; and (3) does the tax system curtail or improve prospects for upward mobility? In the absence of specific criteria to define and measure "fairness" these relatively straightforward questions may lend themselves to rhetorical flourishes rather than economic analysis.

As the Committee approaches the pivotal issue of "fairness," the definition it ascribes to "fairness" and the means of measuring and presenting distributional data will mean the difference between informing the debate or constructing a monolith to stifle pro-growth reform. As the conventions for defining, measuring and portraying distribution now stand, the answer to the question of whether a consumption plan is "fair" is effectively pre-ordained by standards of distributional equity that frame the question through reference to an income tax. In short, the Committee must reevaluate and reconstruct the manner in which it chooses to measure and view distribution if the American people are to be given relevant information that can enable them to make informed decisions about distributional equity.

The centrality of this point is best understood by examining the narrow but conventional view that "fairness" equates to progressivity of the tax burden relative to some measure of *annual income*. That is the view that may be shared, for example, by Dr. Joel Slemrod of your hearing panel, and for a reason. Taxes paid over *income* is the preferred quotient of analysis for those who support multiple taxation of savings and investment at accelerated rates (as opposed to consumption taxes). Since consumption taxes do not tax returns on investment multiple times (which under an income tax is considered a normal part of the income base), and since lower wage earners in the aggregate spend a disproportionate amount of their earning on consumption, the more a tax is based on consumption the more it is a foregone (and incorrect) conclusion (based on such a methodology) that the tax is "regressive" or less "fair." Measuring fairness according to an *annual income* methodology will always show an unfair bias in favor of punishing savings and investment chiefly because it uses taxes paid over *income*, rather than *consumption*, as the unit of measurement, even though nearly all economists agree a system which is neutral as to savings and investment will result in higher real incomes. The biased nature of basing distributional tables on *annual income* would seem apparent.

In reality, measuring distribution as a quotient of taxes paid over *income* is only one possible method of portraying fairness, and neither the most objective nor best method. Income earned in any given period is, at best, an incomplete measure of one's ability to pay over a lifetime; and in the case of wealthy individuals, a poor measure. Proponents of a consumption tax argue instead that the best measurement of the equity of a tax system is what one individual consumes for his or her own personal well-being over the course of a lifetime, i.e., the private as opposed to public uses of capital. Under the FairTax, consumption at or below the poverty level is simply not taxed at all, in keeping with the principle that the government should not extract resources from citizens until they have met their own sustenance. This is accomplished by a "prebate." Income which is not consumed is either saved or invested or provided to charitable causes (or government) to fund the consumption of others. The return on savings and investment is either used to fund future consumption or reinvested to increase productivity and output. If income and savings are taxed, we have simply taxed deferred consumption. Individuals who defer consumption do so because they elect not to consume it for themselves immediately, but to make the resource available for others. For this reason, consumption tax supporters argue that measuring taxes paid over *consumption* is an equally valid distributional measure, and a more appropriate measure, of fairness. If one supports a consumption tax for pro-growth reasons, even if one supports certain aspects of a consumption tax (such as the taxation of income only once), then is it not equally valid to display the distribution as taxes paid as a function of *consumption* as opposed to *income*? Is this is not a decision that rightfully falls outside the learned realm of economics?

Using *income* as the denominator is a bias built into conventional distributional charts that favors the steeply progressive marginal rates with double or treble taxation of income, but it is far from the only bias. Another major bias exists if we adhere to the conventional wisdom of restricting the unit of analysis to *annual* income. *Annual* income wrongly assumes that taxpayers within an income category will remain financially frozen in perpetuity (i.e., their income will not change year-by-year and over the course of their lives). By making that assumption, we not only defy reality, we are often comparing a 45 year old father with the 18 year old daughter in order to argue that tax policy should require the father to redistribute more of his income to his daughter. If Congress is provided charts depicting distribution only on this basis, those charts will wrongly argue that flatter marginal rates hurt the poor and benefit the rich, even if they are the same people at different stages of life. Basing distribution on stagnation within income deciles not only yields a knowingly wrong result, but also yields a result knowingly biased against a flattening of rates that nearly all economists (and those on your panel) agree increases economic growth.

Rectifying these biases is not only desirable, it is imperative if we are to make economically sound analyses of competing proposals based on accepted economic principles. Rather than blindly measuring distribution on the basis of taxes paid over *annual income*, Fairtax.org contends that the proper approach is to examine distribution in the manner that has been recommended for several years by the President's Council of Economic Advisors; such as measuring distribution as taxes paid over consumption, lifetime income, or by evaluating distribution on a dynamic basis by measuring *what people have after taxation*. Such means of measuring distribution was suggested by Dr. Beach. In considering distribution, the Committee should make clear the enormous and uncertain effect that conclusions over incidence of corporate and other taxes have on distribution. Sometimes these taxes are just ignored in distributional tables. The Committee should employ a methodology which requires that the distribution tables include the compliance costs that are regressive under the current tax system and which have given rise to the need for reform (as well as assumption over differential compliance rates by income or consumption class since the $353 billion tax gap itself is not equitably distributed). The Committee should be aware that plans which seek to significantly lessen compliance costs should have a "simplicity dividend" a "growth dividend" and a "compliance dividend" that will also have distributional effects.

The Committee should also recognize that distribution models underestimate the regressivity of the current system by failing to account for uncertain incidences of corporate and personal income taxes, payroll taxes, self-employment taxes, and compliance costs that are embedded in the price of consumables or the cost of capital. The Committee should recognize that an important determinant of "fairness" is whether a particular tax scheme affords greater or lesser upward mobility. In summary, as the Committee explores the key subject of fairness, it should resist viewing the distributional debate solely through the reference frame of an income tax. And it should understand why such a limited reference frame offers a skewed vantage point that flies in the face of the pro-growth policies the Committee recognizes as essential to reform.

The unsettled question concerning border adjustability (and territoriality)
The FairTax has many merits arguing for its enactment. These include, among others, the fact that the FairTax stimulates economic growth, untaxes the poor, removes disincentives to work, save and invest, encourages home ownership, advances investment in human capital, makes the tax system simpler and more visible, lowers compliance costs, and honors privacy and other civil liberties of taxpayers. Moreover, these positive effects are supported by extensive research. But one often understated reason that deserves further explanation is that the FairTax is the most border-adjusted tax plan that could be devised.

Allow me to explain further. Fairtax.org asserts that the U.S. government should not, as a matter of policy, accord a huge advantage to foreign companies competing in the U.S. market or impose a huge disadvantage on American producers and workers selling their goods and services in the U.S. and foreign markets. Regrettably, the current tax system has this adverse consequence on the economy.

Today, the U.S. tax system harms the competitiveness of U.S. businesses. Heavy income and payroll taxes are imposed on U.S. workers and businesses producing goods in the U.S. whether those goods are sold here or abroad. U.S. corporate taxes are the highest in the industrialized world; with a top corporate rate about nine percentage points higher than the OECD average. Our current tax system imposes no corresponding tax burden on foreign goods sold in the U.S. market. Moreover, foreign value added taxes, a major component of the total revenue raised in most developed countries including every OECD country except the U.S., are rebated if foreign goods are exported. U.S. manufacturers selling abroad must pay foreign value added taxes at an average rate of nearly 18 percent in addition to U.S. income and payroll taxes, creating a large and artificial relative price advantage for foreign goods in both the U.S. market and abroad.

Empirical evidence suggests that the U.S. inability to border adjust its taxes is of tremendous practical importance. With each passing year, manufacturing is a smaller and smaller part of the overall economy. The value of all goods manufactured in the United States was roughly 30 percent of the value of all goods and services in the economy in 1953, and fell below 15 percent in 2001. The U.S. trade deficit is now almost six percent of GDP and trade deficits exist in nearly every category of goods with nearly every country. Most importantly, there is an unsustainable “production gap.” The U.S. now produces only about 2/3 of the goods it consumes. The reason is the tremendous price advantage we accord foreign producers and foreign workers when competing against American products sold in the domestic market or bound for overseas sales.

The largest single factor in the decline in U.S. manufacturing jobs is within our power to fix by reforming the tax code. Specifically, we need to eliminate those aspects of our tax system that artificially place U.S. production at a competitive disadvantage to foreign production. The most powerful tool to improve the international competitiveness of U.S.

business is to move to a destination principle tax system (also known as a border-adjusted tax system) – a tax system that taxes all goods consumed in the U.S. alike, *whether the goods are produced in the U.S. or abroad*.

The FairTax accomplishes this result. Foreign manufactured goods and U.S. manufactured goods will pay the same tax when the goods are sold at retail. U.S. businesses selling goods or services in foreign markets will not be subject to federal tax. By comparison, not all consumption taxes do so. The flat tax does not address this problem. The flat tax is an *origin* method value added tax. It taxes the consumption of the value added by U. S. producers, whether the consumption occurs in the U.S. or abroad. Foreign made goods consumed in the U.S. bear no tax under the flat tax. Thus, under the flat tax, American businesses and American workers would still be placed at a large tax disadvantage in international markets. Other destination-based consumption taxes may be border adjustable, but they accomplish this result less effectively and efficiently because the entire taxes imposed are not border adjusted as they would be under the FairTax.

Fairtax.org recognizes that some of your distinguished panelists at this hearing, particularly Dr. Alan Auerbach, disagree with us on the relevancy of border adjustability. For instance, without much elaboration he asserted that, "…border adjustments will simply strengthen the dollar, putting importers and exporters in the same competitive positions no matter which approach is adopted." By contrast, Fairtax.org contends that border adjustability matters greatly to U.S. competitiveness, and this view is shared by noted economists.

The fallacy of the "border adjustability is irrelevant" argument can be seen most clearly with the FairTax. Advocates of the "irrelevancy position" incorrectly argue that if the FairTax were implemented, any relative price change will be eliminated by an immediate offsetting 23-percent appreciation in the dollar. This theory is based on the assumption that appreciation of the dollar will be caused by a reduction in U.S. demand for foreign currency to acquire (the now more expensive) foreign goods and an increase in foreign demand for U.S. currency to acquire (the now less expensive) U.S. goods. The greatest flaw in this analysis is that the demand for U.S. dollars is not limited to the traded goods market. Nearly $90 trillion in U.S. assets owned by households and non-financial businesses are denominated in dollars. Financial institutions trade trillions of dollars in securities and currency each day based on expectations and long- and short-term assumptions. Furthermore, the non-traded goods and services sector is also denominated in dollars and exceeds the traded goods sector in size. The value of the traded assets alone cannot possibly adjust the value of all dollar-denominated assets. Consider for a moment the treatment of commodities, where prices are established through international markets.

If, however, border adjustability is not relevant and there is no increase in the competitiveness of U.S. goods because of a 23-percent increase in the price of the dollar (more or less precisely) relative to foreign currency, then the FairTax will have succeeded in increasing the wealth of the American people by something on the order of $20 trillion (23 percent of $90 trillion) relative to the rest of the world, an instantaneous increase nearly equal to the value of all the goods and services produced in the U.S. over two years. If that were to happen, it would be reason enough to enact the FairTax. Unfortunately for American asset owners, it is impossible for the traded goods sector to dominate the currency movements since the dollar asset markets are perhaps 100 times as large as the annual traded goods market (net basis).[1] The argument collapses when one understands that currency fluctuations are influenced by a great deal more than just taxes on traded goods. An additional legitimate inquiry regarding the reliance of border adjustability would examine whether the U.S. wants to take the risk that it is imposing what amounts to a self-inflicted tariff on its domestic producers and workers when it recognizes the difficulty of providing direct trade incentives under the WTO.

The tax-inclusive means of measuring the FairTax is not disingenuous.
Critics of the FairTax wrongfully contend that expressing the FairTax rate in tax-inclusive terms is disingenuous. For instance, the Ways and Means Committee Democratic staff state on their website that when the rate is quoted as "'23 percent' it really means '30 percent' to the consumer." As the Committee proceeds with these hearings, it should clarify that the rates of various tax reform proposals must be compared on a uniform basis.

When considering the rate of a single-stage consumption tax, or any tax for that matter, one must always decide which of two distinct means of portraying this rate – the "tax-inclusive rate" or "tax-exclusive rate" – best reflects the tax burden. Which one we employ changes absolutely nothing in terms of the taxes that are actually raised or paid by the taxpayer under the taxing regime examined any more than describing a hot day as 40 degrees centigrade or 104 Fahrenheit changes the level of discomfort. *But the metric used does change the perception of those who wish to compare the merits of competing tax proposals.* When making comparisons between alternative taxing systems, it is important to ensure that these comparisons are consistent, fair in terms of expectations, and are well explained. Fair comparisons eliminate rather than exacerbate confusion over a relatively critical point as the means of expressing the tax rate. The FairTax plan contends that the rate of the FairTax is properly measured through the use of the same scale as is used for all competing federal plans. We contend the only correct and accurate means of measurement is to compare the tax-inclusive income tax rate to a tax-inclusive sales tax rate. Therefore, in order to compare apples to apples the FairTax is, unlike most state sales taxes, imposed on a tax-inclusive basis.

Two examples may help clarify the use of these two rate calculation methods. Assume a worker earns $100 and uses the entire amount to pay for a CD player at Wal-Mart. Under the income tax, the worker would earn $100, pay $20 dollars in income tax, and have $80 left over to buy the CD player. We would say this tax rate is 20 percent. In a typical sales tax we would say the worker earned $100, paid $80 for the CD player and paid $20 in sales tax. We would divide $20 by $80 and say the rate is 25 percent. Using this method, we would say the sales tax rate is 25 percent and the income tax rate is 20 percent even though the tax burden is precisely the same, i.e. $20. The problem of course

[1] See, "Flow of Funds Accounts of the United States," Federal Reserve System, Fourth Quarter 2004, for statistical information on asset markets.

is that representing the FairTax as 25 percent and the income tax as 20 percent would lead one to think the FairTax imposes more tax or has a smaller base, when both conclusions would be wrong. Thus, the FairTax uses the same method of stating its rate (the tax-inclusive rate) as does the current system it is designed to replace, and while the FairTax is agnostic about which method is chosen, it believes the methods should be consistent across tax plans.

The Ways and Means Democratic staff observes that on a tax-exclusive basis, the FairTax would be imposed at a 29.9 percent rate. Nothing is wrong with that assertion in the abstract. However, on that basis, the current tax system would impose marginal tax rates on middle-class taxpayers of 76 percent, if you take into account that the hidden employer payroll tax is borne by workers.[2] The Flat Tax would bear a maximum marginal rate of 47.7 percent. The FairTax is expressed on a tax-inclusive basis not because it shows a lower rate expressed differently than state sales taxes, but because the price of adherence to the way state sales taxes are expressed would be misrepresentation at the national level. Therefore, the FairTax quotes the rate as tax inclusive, and explains where it has the chance, the difference between the two methods.

The myth that a single stage consumption tax in excess of ten percent won't work

Dr. Joel Slemrod testified that a national sales tax that would replace the entire tax system would suffer from a lack of compliance. He repeated an "urban myth" of income tax proponents that a sales tax in excess of ten percent will create compliance issues. This statement has been repeated so often and with such certainty by income tax proponents that it must have academic substantiation or proof. This is not the case.

The author of this conjecture was Vito Tanzi, former Director of Fiscal Affairs at the International Monetary Fund who simply offered this opinion in a 1995 Brookings Institution publication.[3] Taxes are unpopular and breed resentment today – as they undoubtedly always have and to some degree probably always will. Accordingly, some people will evade taxes no matter what the governing tax system, but there is no evidence – empirical or analytical – to suggest that the sales tax would not be complied with at a national level. Extant research and the empirical evidence suggest that the tax would increase voluntary compliance while reducing compliance costs. For example, much of the tax gap today is attributable to mistakes caused by the complexity of the law. Mistakes and confusion would be all but eliminated under a system that creates no exemptions and dispenses with the complex issues present today. And the FairTax

[2] The way of looking at the income tax from a tax-exclusive point of view is to ask how much a worker must earn to spend $100. Today, a taxpayer in the 28-percent tax bracket (who pays 7.65 percent in payroll taxes) must earn $155 to pay for $100 in goods. If the employer's share of the payroll tax is considered, this worker must earn $176 to spend $100. A 15-percent income tax bracket taxpayer must earn $129 to spend $100. This figure would be $143 if the employer's share of payroll taxes is taken into account. If we were to apply a tax-exclusive metric to the income tax, the income tax with the payroll tax bears a maximum marginal rate that is 75.8 percent of the tax-exclusive rate. Even the Federal individual income tax alone reflects a maximum marginal tax-exclusive rate of 43.3 percent, and the FairTax plan bears a maximum marginal rate of 29.9 percent.

[3] Tanzi, Vito, "Taxation in an Integrating World," Washington: Brookings, 1995, pp. 50-51. For the opposite view, see Mastromarco, Dan R., "The 'Fair Tax' and Tax Compliance: An Analytical Perspective," *Tax Notes* 79 No. 3, April 20, 1998, pp. 379-87.

improves all the factors known to bear upon noncompliance, including reducing the rate and the number of collection points. The more than 60 years of practical experience in administering sales taxes at the state level supports the position that the FairTax would be administrable at higher compliance rates relative to administrative and compliance costs. Whether or not the plans can be complied with is also directly related to the costs and intrusions into privacy. The relative administrability of the various alternatives, including the single-stage consumption tax, should be explored in a separate hearing devoted to that purpose and not dismissed by unsubstantiated opinion.

The facts that influence pro-growth tax policy

Fairtax.org has done extensive research on the economic effects of its plan. Economists estimate that the FairTax plan improves wages and the economic well-being of all Americans. For example, Boston University economist Laurence Kotlikoff estimates that the shift to consumption taxation raises the stock of U.S. capital by at least 29 percent (potentially by as much as 49 percent) and U.S. living standards by at least seven percent and potentially by as much as 14 percent. Work by Gary Robbins, Ph.D. of Fiscal Associates shows that replacing the current tax system with a single-rate system that treats capital and labor income equally – such as the FairTax – increases the GDP 36.3 percent and private output by 48.4 percent over the long run. Higher investment levels increase the productivity of employees, demand for workers and real wages.

Even more important than the end result of the FairTax is an understanding of what critical aspects of the various plans generate such positive effects. Certainly, the FairTax provides substantial benefits from the non-trivial savings from compliance costs, from greater compliance itself, from international competitiveness and from the elimination of the deadweight loss of special interest tax provisions. However, the Committee should recognize that the majority of the economic growth will come from lowering marginal rates (which results from broadening the base and flattening the rates) and the elimination of the multiple taxation of income (which results in neutrality as to savings and investment). Not all plans proposed will achieve these objectives to the same degree.

Conclusion

As the President's Advisory Panel on Federal Tax Reform noted, "History has taught us that although it is relatively easy to achieve consensus on the need for reform, it is much more difficult to devise a solution that satisfies all competing interests." The hard work of crafting that solution will fall upon this Committee. As it undertakes this task, Fairtax.org urges the Committee to define the goals of reform in the most definitive terms possible and focus the debate around the type of reforms that best meet these goals. As it proceeds, Fairtax.org urges the Committee to separate the myth and rhetoric from the reality and efficiency of each reform plan it considers. Proponents of the FairTax eagerly await and welcome the opportunity to participate in such a debate.