

# **Fundamental Tax Reform**

## **Issues, Choices, and Implications**

edited by  
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## Preface

Reform of the federal income tax system is a perennial policy item on the domestic policy agenda in the United States. Much attention in recent years has been devoted to proposals that are described as “fundamental tax reform,” involving either widespread reforms of the existing income tax or its replacement with a new tax based on consumption, chosen from the wide range of consumption tax plans currently under discussion. However, the appropriate direction for such reform is uncertain, as suggested by the November 1, 2005, report of the President’s Advisory Panel on Federal Tax Reform. The Advisory Panel recommended two options—a fairly comprehensive income tax and a hybrid income/consumption tax—and discussed at length a third consumption-based tax option. Given the considerable level of uncertainty about the appropriate direction for fundamental tax reform in the United States, an understanding of the complex issues involved in evaluating the many competing alternative tax reform proposals currently under discussion is essential to the sound formulation of public policy in the tax arena.

The papers in this volume reflect the efforts of some of our nation’s foremost tax policy experts to advance this understanding. These experts initially presented their papers at an April 2006 conference held at the James A. Baker III Institute for Public Policy at Rice University. They carefully and thoroughly examine a wide variety of issues raised by the prospect of fundamental tax reform, and shed insights on the relative advantages and disadvantages of income and consumption taxation, as well as the many alternative ways of achieving a consumption tax reform.

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