The Daily Dish

June 27th Edition

GORDON GRAY | JUNE 27, 2016

The Department of Education proposed a rule last week, which would make it easier for students to sue their school if they believe the school duped them. Current federal law allows students to request loan forgiveness if they have evidence their school used fraudulent tactics to get them to attend. The new rule would expand this to include any breach of contract even if there is no evidence of intent to defraud or mislead, and taxpayers would be on the hook for the $43 billion it will cost.

The International Energy Agency is requesting to adopt a new strategy to fight air pollution, which would cost an additional $4.8 trillion. The agency claims this plan would add 7 percent to the total energy investment needed by 2040 and said this will cut pollution-related deaths by more than 3 million a year.

Eakinomics: Getting Serious on Tax Reform, *Guest Authored by Gordon Gray, AAF Director of Fiscal Policy*

Ask just about any politician about "tax reform," and they'll likely say they're all for it. Depending on whether they're wearing their red or blue jersey when asked, they may sprinkle that general approach with references to abolishing the IRS or with an emphasis on billionaires, but in general most policymakers have good things to say about 'tax reform."

Why then hasn't it happened in any meaningful sense in 30 years? Because the concept of tax reform is a very different animal than the real work of reforming the tax code – and the seriousness of a real tax reform can be weighed by the hard choices it reflects. Tax reform is about accepting constraints and making tradeoffs to operate within those constraints both and budgetary and economic. The House task force on tax reform released a tax reform proposal on Friday that meets this standard – it makes some tough choices, and arrives at a sound approach to reforming the tax code.

The first principal constraint confronting many tax reformers is a budgetary one. A credible

tax reform plan can't blow a hole in the budget. The House plan hews to revenue neutrality. It assumes a current-policy baseline and consistent with House rules incorporates economic growth, but it is clear about its assumptions and abides by them.

The plan also makes concessions to economic constraints. Fairness, and perceptions of fairness, undermine the current tax system that is riddled with exceptions and "loopholes." Eliminating these provisions should simplify the code and improve public confidence in the basic fairness of the tax system. Important to this effort is the plan's commitment to ensure distributional fairness by maintaining the current tax code's progressivity.

In designing the House plan, the drafters had to make other important tradeoffs that reflect the balancing of budgetary and economic tensions in any tax reform. Moving to a system of full expensing is pro-growth, butrequires losing the deductibility of interest, which picks a political fight. So too does picking how to reconcile the new system with international trade.

From the Forum

Tax Topics – Destination Vs. Origin Basis by Gordon Gray, AAF Director of Fiscal Policy

Tax Topics – Interest Deductibility by Gordon Gray, AAF Director of Fiscal Policy