

Beneficial usage of flat tax



**ASSIGN
BUSTER**

The Flat Tax The current tax is the length of a dozen bibles, but could be replaced by a flat tax law that could be written on a postcard. While one of the ultimate goals of creating a flat tax is simplification, adjusting the tax rate and method of taxation would have several implications for the current system of revenue. There would be significant implications for who gets taxed, what percentage of their income would be exempt, and whether or not the tax is progressive or regressive. There is an ongoing debate about whom the flat tax helps, and whom the flat tax hurts. If the tax burden is redistributed, some people will pay more and some will pay less under the new flat tax system. This paper will discuss the benefits of going to a flat tax system, and examine the implications for taxpayers, businesses, and the government.

The most often cited benefit to a flat tax would be to simplify the current code. The current tax code and amendments is over 16, 000 pages long, takes up over 20 volumes, and costs in excess of \$1100 to purchase (Greenberg). Nearly every source of income or deduction has a special attachment and entails complex complications that require the intervention of a certified tax accountant. The flat tax would simply place a given percentage of tax on all personal and business income. There would be a single exemption, and no deductions for things such as mortgage interest or charitable donations. For example, every family would get a \$20, 000 exemption and pay a 15 percent tax on all income in excess of \$20, 000. While there are some flat tax schemes that tax spending rather than income, this paper will focus on the flat tax on income. A single exemption flat tax on income is the most simplified form of taxation available.

In addition to the simplicity that a flat tax would have, it would also be more

<https://assignbuster.com/beneficial-usage-of-flat-tax/>

fair. A flat tax would have no penalties for capital gains, savings, old capital, and pension incomes (Gale 43). Under the flat tax system, no one gets preferential treatment and there are no special provisions for individuals or specific businesses. In addition, "The low, flat rate solves the problem of high marginal tax rates by reducing penalties against productive behavior, such as work, risk taking, and entrepreneurship" (Mitchell). Everyone, without exception, would pay the same rate of taxes on their income. Because the flat tax is so simple to implement and calculate, there would be substantial savings for businesses, individuals, and the government. Businesses would no longer be subject to the complex tax code and could devote more resources to innovation and manufacturing. Individuals would no longer need a tax consultant, accountant, or tax service to figure their taxes. The individual income tax form would be a few lines of instruction and one simple calculation. This could result in the elimination of the IRS, which would save the government over \$11 billion a year (Dixon). The government would save by eliminating the large-scale audits that are needed to insure compliance.

In conclusion, the flat tax has the benefits of simplicity, fairness, and cost savings. Quite simply, everyone would be subject to the same tax rate and no longer penalized for making more money, prudently saving, or investing wisely. Everyone, from the biggest business to the individual would realize a savings in the time it takes to complete the current tax forms. Audits, a thing of the past, could result in an IRS of a greatly reduced size. In the face of the current tax code, the flat tax and its simplicity is an idea that is worth advocating and implementing.

Works Cited

<https://assignbuster.com/beneficial-usage-of-flat-tax/>

Dixon, Kim. " Obama Seeks to Double Tax Law Enforcement Budget." Eds.

Tim Dobbyn and Gerald McCormick. 7 May 2009. Reuters. 24 June 2009 .

Gale, William G. " The Flat Tax. Simple, Efficient, Fair. Or is it?" The Brookings Review (1999): 40-45. 24 June 2009.

Greenberg, Paul. " Kill This Monster." Jewish World Review 12 Apr. 2007. 24 June 2009 .

Mitchell, Daniel J. " A Brief Guide to the Flat Tax." The Heritage Foundation (2005). 24 June 2009 .