

Tax Reform Project: Seeking Experts' Ideas for a Better Tax Code

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In this article, the authors announce the Tax Reform Project and invite tax experts to submit their ideas for improving the tax system to the project's website for inclusion in a "practitioners' green book" that will aid the development of tax policy in Washington.

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There is broad agreement on both sides of the political aisle that today, our tax system is not working the way it should. President Biden has proposed several revenue-raising taxes, primarily on the very highest-income earners, and has already reformed the Internal Revenue Code in myriad ways, including by adding a host of new clean energy tax provisions to the code through the Inflation Reduction Act.¹ For their part,

Republican candidates for president have floated new tariffs and a flat tax on the campaign trail.²

These ideas have emerged at a time when the tax system is in substantial flux. The Tax Cuts and Jobs Act of 2017 represented one of the most dramatic shifts to the code in decades, nearly

¹Treasury, "General Explanations of the Administration's Fiscal Year 2024 Revenue Proposals" (Mar. 9, 2023).

²See Jeff Stein, "Trump Advisers Plot Aggressive New Tax Cuts for Second White House Term," *The Washington Post*, Sept. 13, 2023; and O. Kay Henderson, "Ramaswamy Backs Flat 12% Federal Income Tax," *Radio Iowa*, Sept. 1, 2023.

eliminating the number of taxpayers who itemize deductions,³ substantially cutting the corporate tax rate, and transforming the U.S. approach to taxing multinational companies. At the same time, many of the TCJA's provisions affecting individuals — including rate reductions, the doubling of the child tax credit, the almost twofold increase in the standard deduction, the \$10,000 cap on the state and local tax deduction, and the new 20 percent income deduction for certain passthrough businesses — are due to sunset at the end of 2025, heightening taxpayer uncertainty as legislators consider which (if any) provisions to renew. On the international stage, the OECD has developed a new two-pillar framework for addressing the challenges of global business taxation in the 21st century, including the taxation of large multinationals and digital services.

The upcoming 2025 tax debate will come at a time when the Congressional Budget Office's latest long-term budget outlook suggests that the nation's fiscal balance is teetering dangerously out of control, with the annual deficit as a share of GDP projected to nearly double to 10 percent by 2053.⁴ Debt as a share of GDP is on track to reach never-before-seen heights at over 180 percent of GDP by 2053. And while these predictions are dire, they make the optimistic assumption that some significant TCJA provisions will sunset as scheduled. If the TCJA's expiring provisions are instead fully extended without offsets, our debt as a share of GDP will reach even greater heights.

We are heading toward uncharted fiscal territory, which suggests the need for both creative revenue solutions as well as innovative ideas for improving the tax system. Revenue is not the only impetus for tax reform — there are deeper problems with the code today. It is notoriously complex. Its rules and burdens are often regarded as unfair. And it increasingly fails to keep pace with our modern economy. One silver lining of the imminent expiration of TCJA provisions is that it will provide an impetus to think productively and responsibly about our tax code.

The Washington tax policy process does not lack input. Every year, Treasury issues its green book, detailing each of the tax proposals in the president's budget.⁵ The CBO collects wide-ranging "budget options" that would alter all manner of tax and spending policies.⁶ And a stream of tax proposals emerges from the Hill each year. While these proposals contain ideas worth considering, something is often missing. Washington's current budget and tax apparatus is generally the product of policymakers, often leaving out the perspective of tax practitioners who know the tax code in and out from working with it every day. And existing tax proposals are scored nontransparently, in ways that may ignore many long-run effects of policy, focusing overwhelmingly on revenue estimates at the expense of other important tax policy goals, including efficiency, simplicity, and combating inappropriate inequities.

This is where the Tax Reform Project (TRP) comes in. The TRP will enhance the tax policy debate by inviting tax practitioners — including lawyers, accountants, commentators, academics, former policymakers, think tank researchers, and *Tax Notes* readers — to submit new ideas for tax reform through our online portal at the TRP website.⁷ Our broad objective is to provide a forum for ideas that could (relatively) easily be implemented in today's code, given that the entire reconceptualization of our tax system seems unlikely to be on the horizon.

Proposals can usefully take many forms. While we expect the tax debate for the foreseeable future to take place in the context of a need for closing budget deficits, we recognize that not all components of every tax program must be revenue positive. There may well be highly desirable measures that, taken alone, cost revenue because they, for example, would streamline and simplify the code. Proposals could also represent meaningful improvements to the code by broadening the base or closing known loopholes. Proposals for rate changes are out of scope for our project; we are looking for structural changes,

³Tax Policy Center, "What Are Itemized Deductions and Who Claims Them?" Key Elements of the U.S. Tax System Briefing Book (2022).

⁴CBO, "The 2023 Long-Term Budget Outlook" (June 2023).

⁵Treasury, "Revenue Proposals" (last accessed Jan. 17, 2024).

⁶CBO, "Budget Options" (last accessed Jan. 17, 2024).

⁷<https://taxreform.yale.edu>.

which may include brand-new tax provisions; modification or even elimination of deductions and credits; and changes in exemptions, classifications, timing, and thresholds that govern tax bases. Importantly, we are also seeking narrower, technical fixes that represent improvements in tax policy or administration. For proposals that have previously been made (for example, by Treasury, the Joint Committee on Taxation, the CBO, or on the Hill), we are looking for possible enhancements and pros and cons reflecting practitioner experiences.

All proposals that fit within the TRP's goals will be collected in an online repository on the TRP website at the beginning of 2025, forming a "practitioners' green book" that will naturally complement ongoing tax policy development in Washington.

To that end, we have recruited a committee with expertise across the tax code to consider all submissions and identify the highest priority areas for action. Our expert committee will home in on the most useful set of ideas for policymakers to consider in the 2025 tax debate. In vetting proposals, the committee will address four questions:

- Does the proposal represent a clear tax policy improvement? In other words, is there a problem in the tax system today that the proposal would ameliorate? And if it does, does the proposal avoid creating new problems that outweigh its benefits?
- What is the impact of the proposal on the efficiency of the tax system? For example, does the proposal end ineffective tax regimes or suppress tax avoidance?
- What is the impact of the proposal on the simplicity of the tax system? In particular, how does the proposal change taxpayers' filing experiences and the administration of the tax code?
- What are the likely distributional effects of the tax proposal?

To the extent that it is possible to quantify the effects of the submitted proposals, the TRP will score the most promising ones. To produce dynamic and distributional estimates, we are asking that proposal submissions be sufficiently detailed to allow us to credibly estimate their effects.

The TRP will be organized at Yale Law School by professor Natasha Sarin, a former deputy assistant secretary for economic policy and counselor at Treasury. It is being shepherded by advisers with substantial experience with tax policy in and outside government: Lawrence Summers, former secretary of the Treasury and director of the National Economic Council; Leslie Samuels, former assistant secretary for tax policy at Treasury; and Fred Goldberg, who formerly served both as commissioner of the IRS and as assistant secretary for tax policy at Treasury. The four of us are all too familiar with the speed at which legislative decisions are often made and the difficulty of finding ideas that are sufficiently politically attractive during a time-sensitive process. That is why the TRP is starting the work of identifying and amplifying practitioner insights now — so they will be ready to be put into the legislative process when the time comes. The TRP seeks to have a range of tax proposals vetted and scored by the beginning of 2025, enabling policymakers to responsibly approach the impending flurry of sunset provisions in the TCJA with information on how much each extension would cost and details on policy suggestions.

Tax is a contentious area of policy. For many questions, there are no correct policy answers but rather a range of opinions on the desirability of different approaches in addressing often highly technical areas of the code. We therefore eagerly invite tax experts to weigh in on these questions themselves with their best ideas for tax reform by visiting the TRP website. Those who submit proposals will be offered the choice to be publicly affiliated with their ideas or anonymized if preferred. We just ask that proposals be accompanied by contact information to allow the TRP team to follow up with questions as we evaluate and analyze proposals. We look forward to your reactions, questions, and above all, submissions. ■