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Submission to Committee on Ways and Means:

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Hearing on Tax Reform and Consumption-Based Tax Systems

VIA email: waysandmeans.submissions@mail.house.gov

July 24, 2011

Hon. Dave Camp, Chairman  
COMMITTEE ON WAYS AND MEANS

**Re: Hearing on Tax Reform and Consumption-Based Tax Systems  
Value Added Tax; VAT Reference Resource Website**

Dear Chairman Camp and Committee Members:

To assist the COMMITTEE ON WAYS AND MEANS in its consideration of a Value Added Tax, this submission includes a complete list of the [VATinfo](#) reference website articles, Op/Ed's, videos and books that explain and advocate a Value Added Tax for the United States. The website contains excerpts and links to the primary sources. It is a resource for informed voices when you seek answers to follow-up questions on the need for and implementation of a VAT.

It is a given that our country, today, is at a pivotal financial moment. We need to restructure our tax system for international competition and for greater economic growth. We need more job creation and more investment, and government should employ a new balanced tax policy that would support business by stimulating both domestic demand and sales to other countries. VAT is part of that picture.

The U.S. is at a competitive disadvantage by not employing a VAT, which would work to create a more level playing field in this era of globalization. Today, all of our trading partners employ a VAT, as do over 150 countries. The VAT concept, approved under GATT rules, is border adjustable and subtracts the burden of government from the price/value competition of goods and services in world trade. Replacing the Corporate Income Tax (in whole/or part) with a VAT would stimulate export growth, and would support domestic production and workers who compete against imports from countries with lower labor costs.

The federal budget is in huge deficit now, with three dollars expended for every two dollars collected in tax revenues. Even after the economy rebounds, deficits are still projected to expand further with the increase in expenditures for Social Security, Medicare and Medicaid as the baby boomers reach retirement age in greater numbers. After all practical spending cuts are made, additional taxes may still be required to achieve a balanced budget. Most economists and most citizens would prefer to have any future tax increase in the form of consumption taxes rather than income taxes.

The VAT could be implemented in a revenue-neutral tax plan that affords flexibility for increases as needed after the economy recovers. But, for political considerations as well as stimulus, a VAT would likely be implemented along with an initial reduction to overall taxes, similar to what Canada and Japan did.

Revenue-neutral replacement of the Corporate Income Tax with a VAT would eliminate a competitive disadvantage in world trade, and there are more stimulative benefits to be gained from this substitution. The VAT, replacing the CIT, would eliminate the incentive for U.S. multi-national corporations to use transfer pricing to shift profits to lower-taxed countries, as the U.S. would become the lowest corporate-taxed country. The U.S. would become a mega-magnet for foreign investment. Gone would be the double-taxation of dividends. And, with a broad-based VAT without preferences, gone would be the endless corrupting of the tax code by lobbying for loopholes.

In addition, the time-certain implementation of a VAT would be an off-budget stimulus, as consumers would likely speed up purchases to avoid the VAT. The VAT would work to restructure the economy by putting a drag on consumption and encouraging savings.

The ideal implementation would replace all tax revenue sources with a VAT balanced by a flat (or tiered) Personal Income Tax with a high standard deduction above median income. The lowest quintiles would be cushioned for the VAT through the EITC. [This balanced approach to sweeping tax reform was recently endorsed by Governor Mitch Daniels.](#) It would be a *valuable contribution* to the discussion of tax reform if the COMMITTEE ON WAYS AND MEANS were to have this approach *scored* by OMB at different proportions of revenue from the VAT vs. PIT, plus variable tiers of the PIT and levels of the standard deduction and EITC. Key to this simplification is zero tax preferences for both the CIT and PIT.

Recommended video:

[President Bill Clinton on "Deficit and VAT," interview with Maria Bartiromo, CNBC, 05/14/10](#)

Especially recommended reading among the articles listed are:

[Hufbauer, Gary Clyde and Woan Foong Wong, "Corporate Tax Reform for a New Century," Policy Brief, Peterson Institute for International Economics, April, 2011](#)

[Gale, William G. & Benjamin H. Harris, "A Value-Added Tax for the United States: Part of the Solution," Brookings Institution and Tax Policy Center, 07/2010](#)

Should the Committee have need for contact information or other information, I would be pleased to assist.

Yours truly,

Steve Abramson

About the VATinfo website publisher: Steve Abramson is an entrepreneur and innovator, 1965 NYU MBA, who has created start-up companies in different industries. After his MBA, he worked briefly at Merrill Lynch as a Corporate Planning Analyst, and shifted to pursue his interests in marketing as an advertising executive at the core agency of Saatchi & Saatchi Advertising. Subsequently, Steve pursued opportunities in the printing industry where he founded companies on the leading edge of applied computer technology and where he became a major printer and publisher of pharmaceutical literature. Steve has published books on fine art and the First Amendment, and holds patents for a color communication standard which is licensed to all major computer imaging and design software. His diverse projects post-career have included real estate development in Long Island. He worked for Governor Jerry Brown's 1992 presidential campaign in New York, at which time Governor Brown called for sweeping tax reform with a VAT plus a flat tax on personal income. Steve and his wife live in Southampton, NY, where he is a leader and advisor in local governmental and environmental affairs.

Aaron Henry J. & Isabel V. Sawhill	"The VAT is Almost Inescapable," 2010
Auerbach, Alan J.	"Modern Corporate Tax," 2010
Bartlett, Bruce	"VAT Isn't 'Money Machine' That Many Critics Maintain," 2005
Buffett, Warren	"Value Added Tax a Good Thing," interview, 2010
Carroll, Robert & Alan D. Viard	"Value Added Tax: Basic Concepts and Unresolved Issues," 2010
Cronin, Shane	"Federal sales tax solves all federal woes," 2010
Crook, Clive	"Make a VAT Part of the Solution: A Value-Added Tax, Though Imperfect, Would Do Less Economic Harm Than an Equivalent Rise in Income Taxes," 2010
Dadash, Uri & William Shaw	"Competitiveness: The Great American Distraction," 2011
Domenici, Sen. Pete & Alice Rivlin	"Restoring America's Future," 2010
Economist	"The States Take," "Stemming the Tide," "A Last Resort," 2009
Emmanuel, Ezekiel J. & Victor R. Fuchs	"Healthcare Vouchers, A Proposal for Universal Coverage," 2005
Ensinger, Dustin	"Washington Too Quick to Dismiss Value Added Tax," 2010
Farrell, Chris	"Why a VAT Tax is Where It's At," 2010
Fitzgerald, Jay	"U.S. Eyes Sales Tax," (Sen. John Kerry), 2010
Frank, Robert M.	"Hey Big Spender. You Need a Surtax," 2010
Gale, William G.	"VAT: The Next Big Tax Increase," 2010
Graetz, Michael J.	"Vat as the Real Key to Tax Reform, 2011
Hufbauer, Gary Clyde & Woan Foong Wong	"Corporate Tax Reform for a new Century," 2011
Ignatius, David	"The VAT may resolve debt crisis, but for politicians it's too soon to be right", 2010
Isadore, Chris	"America's Debt Crisis; Economists: Reform the tax code," 2010
Johnson, Simon	"Does the U.S. Really Have a Fiscal Crisis," 2011
Kocieniewski, David	"U.S. Business Has High Tax Rates, but Pays Less," 2011
KPMG	"Compiled VAT Articles," 2011
Lee, Thea M.	"U.S. Multinationals and Tax Reform," 2010
Leonhardt, David	"The Perils of Pay Less Get More," 2010
Lindsey, Lawrence	"The Budgetary Case for Fundamental Tax Reform," 2011
Lindsey, Lawrence	"Testimony before the Senate Budget Committee," 2011
Mankiw, Gregory	"Much to Love and Hate in a VAT," 2010
Montgomery, Lori	"Opposition to value-added tax crosses the political spectrum," 2010
Montgomery, Lori and Howard Schneider	"Stabilizing U.S. debt is the greater of two G-20 challenges, 2010
Rampell, Catherine	"Payback Time" Many See the VAT as a Cure for Deficits," (Charles E. McClure), 2009
Rogers, Diane Lim	"Why the U.S. should enact a VAT," 2010
Sawhill, Isabel V.	"Consider a Value-Added Tax," 2010
Seib, Gerald F.	"Hi. My Name is America and I'm a Deficit Addict," 2010
Sessions, Samuel Y, MD & Philip R. Lee, MD	"Using Tax Reform to Drive Health Care Reform," 2008
Slemrod, Joel	"The ABC's of the VAT," 2010
Thompson, Derek	"Value-Added Tax: What You Need to Know," 2010
Toder, Eric & Rosenberg Joseph	"Effects of Imposing a Value-Added Tax to Replace Payroll Taxes or Corporate Taxes," 2010
Tsiantar, Dody	"Why the U.S. can learn from New Zealand when it comes to taxes," 2010
Tully, Shawn	"Broke! Fixing America's fiscal crisis, VAT Trap: The inevitable fix for the deficit," 2010
WashingtonPost.com	"The coming tax debate," 2010
White, Martha C.	"With VAT Tax on the Table, Progressives Sound Alarm,..Volcker's Remarks Heighten Concern about VAT and the Working Poor," 2010
WSJ.com	"Volcker on the VAT, The middle class is where the money is," 2010

Aaron Henry J. & Isabel V. Sawhill	"Bend the Revenue Curve: Health Reform Alone Won't End Deficit," 2010
Bartlett, Bruce	"The Case Against the VAT, The real arguments and the phonies," 2010
Bartlett, Bruce	"George Will's Frivolous Argument for Repealing the 16th Amendment," 2010
Bartlett, Bruce	"John McCain's Irresponsible Demagoguery on the VAT," 2010
Bartlett, Bruce	"The VAT and the Money-Machine Argument," 2010
Bartlett, Bruce	"Is BBCT the New VAT?," 2010
Boskin, Michael J.	"Time to Junk the Corporate Tax," 2010
Brooks, David	"The Ecstasy of Fiscal Policy," 2010
Choate, Pat	"Time for Real Tax Reform," 2011
Choate, Pat	"VAT and the Great Tax Swap," 2010
Christian Science Monitor	"You want tax reform, America; Try the VAT," 2010
Currie, Duncan	"Designing a Better Tax System," 2010
D'Andrea Tyson, Laura	"The Logic of Cutting Corporate Taxes," 2011
Fletcher, Ian	"Is a Flat Tariff the Answer to America's Trade Mess?," 2010
Hindery Jr., Leo	"The Tax Man Cometh - Just Not For Everybody, " 2011
Hindery Jr., Leo	"The 'Real Unemployment' Needs Real Solutions," 2010
Hindery Jr., Leo & Michael Lind	"America Needs a VAT; A value-added tax would go a long way toward solving several of the country's fiscal and tax problems," 2010
Hollings, Sen. Fritz	"Playing Games," 2011
Hollings, Sen. Fritz	"Value-added tax will solve debt, jobs, problems," 2011
Hollings, Sen. Fritz	"Wake Up America," 2010
Hollings, Sen. Fritz	"U.S. Is in a Trade War, Whether It Likes It or Not," 2010
Hollings, Sen. Fritz	"Turned Off," 2010
Hollings, Sen. Fritz	"Replace the Corporate Income Tax," 2010
Hollings, Sen. Fritz	"Time is of the Essence," 2010
Hollings, Sen. Fritz	"Engaging n the Trade War," 2010
Hollings, Sen. Fritz	"Make value added tax a winning weapon in trade war," 2010
Hollings, Sen. Fritz	"The Ever Increasing Need for an American Industrial Policy," 2010
Hubbard, Glenn	"Left, Right and Wrong on Taxes," 2010
Kenworthy, Lane	"Taxes and Inequality: Lessons from Abroad," 2010
Krugman, Paul	"Now and Later," 2010
Kuttner, Robert	"Another tax that hits the middle class," 2010
Leonhardt, David	"A Value-Added Tax and the Poor," 2010
Morici, Peter	"U.S. economy creates only 54,000 jobs in May," 2011
New York Times	"The Tax-Cut Deal," 2010
Pearlstein, Steven	"The Discussion," 2010
Rampell, Catherine	"Value Added Taxes: A Primer," 2010
Sullivan, Brian	"Making the Case for a VAT (with caveats)," 2010
Thompson, Derek	"The Best Plan Yet? A Summary of the New Bipartisan Deficit Reduction Scheme," 2010

**Video Clips on Value Added Tax (links to Video Clips at [www.VATinfo.org](http://www.VATinfo.org))**

APitschuler, Rosanne	"U.S. deficit and potential revenue-generating solutions," 2010
Bowles, Erskine	"Balancing the Budget," interview with Andrea Mitchell, 2010
Clinton, President Bill	"Federal Budget and the National Debt," interview with Bob Schieffer
Clinton, President Bill	Remarks on Deficit and VAT, interview with Maria Bartiromo, 2010
Daniels, Gov. Mitch	Remarks in Accepting Hudson Institute Award, 2010
Hunt, Al	"Bowles, Simpson Discuss Federal Deficit Commission," 2010
Sachs, Jeffrey	"Choices for America's Economic Future," 2009
Stern, Andy	"Committee for Economic Development," 2011
Toder, Eric	"Can Washington Embrace the Value-Added Tax?," 2010
Walker, David W.	"The Fiscal Wake-Up Tour Online," 2009
Zakaria, Fareed	"America's future faces a lot of doom and gloom, but perhaps its largest problem, the budget deficit, has a solution," 2010

Aaron, Henry J. & Harvey Galper	"Assessing Tax Reform," 1985
Aaron, Henry J. & William G. Gale	"Fundamental Tax Reform: Miracle or Mirage?," 1997
Bartlett, Bruce	"The New American Economy, The Failure of Reaganomics and a New Way Forward," 2009
Batra, Ravi	"The Myth of Free Trade," 1993
Brys, Bert	"Making fundamental tax reform happen," 2010
Ferleger, Louis A. & Jay R. Mandle	"No Pain, No Gain; Taxes, Productivity and Economic Growth," 1992
Gibbons, Hon. Sam	Testimony in Ways & Means hearings, "Replacing the Federal Income Tax," 1996
Graetz, Michael J.	"100 Million Unnecessary Returns, A Simple, Fair, and Competitive Tax Plan for the United States," 2008
Greenstein Robert & Peter Orszag	"A Broken Federal Fiscal Policy...and How to Fix It," 2004
Hall, Robert E., and Alvin Rabushka	"The Flat Tax," 1985
Henderson, Gordon G.	"Alternatives to the Income Tax," 1984
Ishi, Hiromitsu	"The Japanese Tax System," 1993
Kahn, Herman	"Reforming the Tax System to Encourage Entrepreneurship, Savings, and Investment," 1982
Luttwak, Edward N.	"The Endangered American Dream," 1993
OECD	"Tax Policy Reform and Economic Growth," 2010
OECD	"Economic Surveys: United States," 2010
Pollack, Sheldon D.	"The Failure of U.S. Tax Policy, Revenue and Politics," 1996
Rivlin, Alice M.	"Reviving the American Dream, The Economy, The States, and The Federal Government," 1992
Schenk Alan & Oliver Oldman	"Value Added Tax, A Comparative Approach," 2007
Schuyler, Michael A.	"Taxes: Promises & Problems," 1984
Seidman, Laurence S.	"Pouring Liberal Wine into Conservative Bottles," 2006
Slemrod, Joel & Jon Bakija	"Taxing Ourselves, A Citizen's Guide to the Great Debate Over Tax Reform," 1996
Stern, Andy	"A Country That Works, Getting America Back on Track," 2008
Tax Analysts	"The VAT Reader, What a Federal Consumption Tax Would Mean for America," 2011
Thurow, Lester C.	"The Future of Capitalism, How Today's Economic Forces Shape Tomorrow's World," 1996
Thurow, Lester C.	"Head to Head, The Coming Battle Among Japan, Europe, and America," 1992
Tonelson, Alan	"The Race to the Bottom, Why a Worldwide Worker Surplus and Uncontrolled Free Trade Are Sinking American Living Standards, 2002
Walker, David M.	"Comeback America, Turning the Country Around and Restoring Fiscal Responsibility, 2009

"Roundtable on Obama Presidency," Hamptons Institute, 2011  
"Jobs: What Would Pres. Washington and Treas. Sec. Hamilton Do?," 2011  
"Selling a Tax Increase: What Would Reagan Do?," 2011  
"GE Supports Tax Reform!," 2011  
"NYTimes: Nation's Mood at Lowest Level," 2011  
"Peter Orszag Interview with Jeff Madrick," Hamptons Institute, 2011  
"Medicare: Emanuel Healthcare VAT Bridges Ryan & Obama," 2011  
"Geithner: No 'Enthusiasm' Expected for VAT," 2011  
"Saluting Chairman Ryan," 2011  
"The Hill: 'VAT Unpopular'," 2011  
"Brookings' Sawhill Favors Healthcare VAT," 2011  
"Re: 'Laffer Curve Not All We Learned,'" 2011  
"Re: 'The Trouble with Tax Reform,'" 2011  
"Jeff Immelt: Manufacturing Key to Job Growth," 2011  
"Hu, VAT, When," 2011  
"U.S. Loses 3rd Largest Solar Producer AND 800 Jobs," 2011  
"Pentagon Must 'Buy American,' Not Chinese Solar Panels," 2011  
"Use Healthcare to Sell the VAT," 2011  
"Needed for Job Growth: Industrial Policy," 2011  
"VAT Gaining Momentum?," 2010  
"Obama Initiates Tax System Overhaul Analysis," 2010  
"Stimulus Comparison: Extended Bush Tax Cuts vs. Domenici-Rivlin Plan," 2010  
"Thomas L. Friedman, 'Still Digging,'" 2010  
"Deficit Commission: Dodo or Phoenix?," 2010  
"(Gov. Daniels) Herman Kahan on Tax Reform & VAT," 2010  
"NRF Distorts Domenici-Rivlin Sales Tax," 2010  
"Domenici-Rivlin Payroll Tax Holiday to Reduce Debt," 2010  
"Bowles-Simpson and Tax Reform," 2010  
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"Divide on Deficit and VAT," 2010  
"NRF Study Wrong - VAT Not an Add-On," 2010  
"Silicon Valley vs. China?," 2010  
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"David Brooks, 'The Paralysis of State,'" 2010  
"William S. Cohen, 'Obama and the Politics of Outsourcing,'" 2010  
"Washington Post: 'U.S. Tax System Tilted Towards the Haves,'" 2010  
"Paul Krugman: 'The End of the Tunnel,'" 2010  
"OECD Recommends VAT for U.S.," 2010