October 17, 2005 The president's advisory panel on tax reform held a public meeting last week to discuss possible changes to our tax code, which most Americans view as a disgrace. Unfortunately, the reform panel consists almost entirely of Washington beltway insiders who have absolutely nothing in common with ordinary American taxpayers. The members are former Congressmen and Senators, DC think tank scholars, university professors, and--unbelievably-- a former commissioner of the IRS! It's hard to imagine someone more opposed to taxpayer interests than the head of the IRS, the very agency that millions of Americans want abolished. It's doubtful that former politicians and tax bureaucrats will propose meaningful tax reform. After all, we've heard this song before. Remember the big tax reform bills of 1986, 1997, and 2001? We were promised a simpler tax code each time, but it never happened. Some slight progress has been made in terms of very modest rate reductions and a slow phaseout of the estate tax, but even those changes may be reversed by revenue-hungry future congresses. The reform panel should have two simple goals: make taxes lower, and make taxes simpler. Anything else quite frankly is insulting to the American public. But during several hours of discussion last week, the various panelists talked about everything but those two objectives. Instead they embraced the practice of using the tax code as a tool for social engineering, debating what exemptions, credits, and deductions should be tinkered with to steer taxpayers toward or away from certain activities. The panelists also misused the term "tax subsidy" over and over. A true subsidy is very simple: certain individuals or businesses receive taxpayer money from the government. But the panel members clearly have accepted the thoroughly leftist idea that all income belongs to the state, and therefore the state "subsidizes" you by letting you keep some of the money you earned. This is nonsense. If the government uses tax dollars to build you a house, you have received a subsidy. Taxpayers have given you something. But if you pay less in income taxes because of the mortgage interest deduction, you have not been "subsidized" by anyone. The government has not given you something; it simply has taken less. What kind of tax reform proposals can we expect from people who can't understand the fundamental difference between a subsidy and a tax cut? When it comes to actual tax reform legislation in Congress, don't underestimate the lobbying influence of accountants, tax attorneys, tax preparers, IRS employees, and mortgage companies, just to name a few. Many, many groups and industries benefit from our Byzantine tax system in one way or another. They will not accept major changes to the tax code without a fight. True tax reform is as simple as cutting or eliminating taxes. No studies, panels, committees, or hearings are needed. When reform proposals seem complicated, they almost certainly don't cut taxes. Government spending is the problem! When the federal government takes $2.5 trillion dollars out of the legitimate private economy in a single year, whether through taxes or borrowing, spending clearly is out of control. Deficit spending creates a de facto tax hike, because deficits can be repaid only by future tax increases. By this measure Congress and the president have raised taxes dramatically over the past few years, despite the tax-cutting rhetoric. The real issue is total spending by government, not tax reform.