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Ted Cruz launches effort to abolish IRS, but tax experts call him confused

By Todd Gillman – June 9, 2013

WASHINGTON — Anti-tax frustration fueled the tea party movement that swept Sen. Ted Cruz to power. Lately, he's pushed that to new levels.

"I'll give you the simplest answer to this IRS scandal, which is abolish the IRS," Cruz told a GOP dinner audience recently in New York, echoing a TV spot in which he tries to raise funds for conservative Senate candidates.

It's a bold prescription that meshes with Cruz's persona as a brash change agent. It drew cheers from a well-heeled Manhattan crowd. But as policy from a U.S. senator, it strikes liberal critics as demagoguery, and tax experts as half-baked.

Even a smaller government needs to collect revenue and enforce tax laws, after all.

"He's expressing the frustration of a lot of people with the IRS. But step one is to reform or ditch the tax code, and step two is to create a more neutral or well-functioning tax authority," said Chris Edwards, director of tax policy studies at the Cato Institute, a libertarian think tank. "Just calling for blowing up the IRS is maybe not starting in the best place."

Calls to revamp the code and curb the IRS have grown louder since the scandal involving heavy-handed treatment of conservative groups was revealed. Cruz stands apart. Even among tea partiers, demands to downsize the agency are more the norm than demands to scrap it entirely.

Cruz spokeswoman Catherine Frazier argued that abolishing the IRS "is the end goal." She said it would be a natural outcome once the tax code is made simpler and fairer.

"We don't need this terribly complicated tax code that is sucking Americans' time and money and is creating this terribly overbearing and intrusive federal agency," she said. "Americans understand that."

But in railing against the IRS, Cruz puts the emphasis on abolishing the agency. Even on his website, there's no fine print explaining how he envisions the government operating without a tax enforcement agency.

And since taking office five months ago, Cruz has embraced both a national sales tax and a simplified income tax — competing ideas for replacing the current tax code. Each requires enforcement of some sort, especially the flat tax Cruz generally promotes, because taxpayers would self-report earnings, major deductions and how much they owe.

Despite the blunt rhetoric, Frazier said, Cruz accepts the need for enforcement.

“The senator has never contested that there would be a small department that would enforce the tax code,” she said, “but the IRS as we know it would be gone.”

The IRS has an annual budget of about \$11.8 billion and a workforce of more than 90,000. It collects \$2.4 trillion each year before cutting refund checks.

That’s all but 8 percent of federal revenue. So eliminating it would be no trifling matter.

As outrage over the targeting of conservative groups boiled, Cruz started banging the drum to scrap the agency.

“We need to abolish the IRS and make the tax code fairer, flatter, and simple enough that taxes fit on a postcard,” he posted on Facebook on May 15. At last count, 11,000 people “liked” that comment. The next day on Twitter, he called for abolishing the IRS without any mention of overhauling the tax code.

It was, in some ways, vintage Cruz.

On guns, drones and immigration, the Senate newcomer has shown a knack for grabbing attention. At times, his roots as a fearsome college debater and Harvard Law-trained Supreme Court clerk shine through. Other times, he seems to be finding his way when it comes to granularity of policy.

In his campaign last year, Cruz made clear he’d like to see the agency disappear, but in the context of overhauling the tax code.

To slim down government, he told the conservative *Daily Caller* in September, he would eliminate “unnecessary or unconstitutional agencies,” starting with the Departments of Education, Commerce and Energy and the National Endowment for the Arts.

“And the agency I’d most like to eliminate is the IRS through fundamental tax reform,” Cruz added.

That’s a more nuanced message than the one he’s hammering now.

Two weeks after taking office, he signed on as a co-sponsor of a bill authored by Sen. Saxby Chambliss, R-Ga., that would do just that. The Chambliss bill would replace the current tax code with a 23 percent national sales tax.

Dubbed the FairTax by backers, the plan would repeal federal taxes on income, employment, estates and gifts. States would collect the national levy, requiring only a small Treasury Department bureau to process and audit payments; the IRS would be shuttered in a few years.

FairTax advocates usually pitch the plan as a way to eliminate the income tax. Dismantling the IRS is a bonus.

But in recent days, Cruz has focused on an entirely different approach.

“We ought to abolish the IRS and instead move to a simple flat tax, where the average American can fill out our taxes on a postcard,” he said last week on Fox News. “Put down how much you earned, put down a deduction for charitable contributions, for home mortgage and how much you owe. It ought to be just a simple one-page postcard, and take the agents, the bureaucracy out of Washington and limit the power of government.”

Frazier said Cruz views the FairTax as “ideal” but embraces the flat tax as the more “realistic” option politically.

Cruz’s crusade echoes those of other politicians.

Billionaire businessman Steve Forbes built his 2000 presidential bid around a flat tax. Rick Perry advocated a flat tax when he ran for president last year. Dick Armey, the former House majority leader from suburban Dallas, has long pushed a flat tax, as does FreedomWorks, the tea party group he founded.

Making the IRS obsolete, less intrusive or smaller was often part of the pitch.

But Cruz’s existential assault on the IRS is far more direct. And tax experts of all political backgrounds say that shifting to an honor system would grossly undermine compliance.

Consider the abrupt “disappearance” of 7 million children in 1987, the first year the IRS required parents to list a Social Security number for any dependent claimed on a tax return. Or the \$450 billion “tax gap” the IRS reported for 2006 — the difference between what people and businesses owed and what they paid.

“You can rename things, but you need an entity that’s going to collect taxes, put together the forms, ensure compliance, send out refund checks, receive payments,” said Donald Marron, a former head of the Congressional Budget Office and the staff at Congress’ Joint Economic Committee. “It’s kind of hard to imagine literally eliminating the IRS.”

Marron, director of the Tax Policy Center, a joint venture of the left-leaning Urban Institute and Brookings Institution, said Cruz seems to be conflating two very different proposals.

A national sales tax might feasibly allow for eliminating the IRS. A flat tax clearly cannot, he said, and “each kind of deduction you allow creates compliance issues.”