Fattah struggles to get traction on tax reform [Philadelphia Tribune]

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(Philadelphia Tribune Via Acquire Media NewsEdge) (ProQuest: ... denotes obscured text omitted.) Washington - It's a position the ever effusive West Philadelphia pol and ranking U.S. Rep. Chaka Fattah, D-Pa., finds himself in when pushing long shot legislation through the House: the challenge of a long game. Drawn out and ugly it is these days as he struggles to find votes to push his debt-busting American Consumption Fee proposal.

But Fattah has a knack for somehow mustering smiley face spin on a desperate situation. As the connection of his cell phone crumbles in and out along a highway drive to Hershey for a long awaited pitch on his idea to wipe out national debt, the congressman is resdess and gabby. "I introduced Emergency Mortgage Relief legislation way back in, what, 2002, right?" poses Fattah, setting it up like pugnacious rapper eager to take out competition during a freestyle rhyme session. "It passed in 2010." In fact, one can make the argument that he seems to revel in that challenge, as if the legislation doesn't have juice or that it lacks credibility unless it took hits along me way.

"With any major piece of legislation, you first have to pass the laugh test for it to gain any sort of currency," argues Fattah.

That laugh test has been splitting its own rib in knee slap since 2004 when Fattah first dropped the concept. Eliminate the federal income tax and replace it with a seemingly modest 1 percent tax on every financial transaction. Fattah describes it as a "user fee" for utilizing the economy. His contention is mat the national economy shifts $900 trillion annually, much ofthat wrapped up in financial transfers and sales. Every time there is a major transaction, one large company purchasing another one (such as, for example, Texas Instruments recent $6.5 billion transaction of National Semiconductor), money cats will have to pony up to the federal government in the form of a 1 percent tax.

"Right now, the federal government gets zero on that transaction," claims Fattah. "Even though it's a substantial transaction requiring the use of government services. It's only fair mat we apply a user's fee to it. We have a user fee for most everything else." Ultimately, after charging a 1 percent transaction tax on so many accumulated transactions, Fattah argues mat you can easily pay down the $14 trillion national debt in about a decade.

Seems simple and forwardthinking, right? Amid all the talk, shutdown debacles and credit downgrades surrounding the issue of national debt, most would assume that Congress would be banging Fattah's Rayburn House Office Building door for more meat. Debt appears to consume every meaningful conversation in Washington these days, with politicians on both sides of the aisle refusing to budge on any major piece of policy unless a debt or deficit reduction package is attached to it. Yet, wim Congress' new Debt Super Committee locked in mysterious huddle over how to manage it, few ideas are finding any traction as bom debt and deficit balloon. Still, the Republican majority in Congress - dominated by conservatives who cringe at anything with a tax on it like it's kryptonite - is laser-focused on debt reduction as the rationale behind every program cut.

Strangely enough, Fattah's proposal gets the gas face from many conservative or center-right experts who don't see any merit to it -despite his offer to do away with the federal income tax and the fairly modest nature of 1 percent (with Fattah even willing to put a halfpercent tax on die table just so he can cut a deal wiui fiscal skeptics).

"I'm not aware of any serious proposal to study it," blinked the Cato Institute's budget expert Tad DeHaven on first glance. "It strikes me as kind of odd." "I suspect you'd see fewer 'transactions' and thus it wouldn't procure as much revenue as proponents believe," offers DeHaven in a surprisingly short rebuke. "Not to mention mat it would disrupt and distort financial markets. The fact that he can't find a cosponsor probably speaks for itself." Heritage Foundation's Senior Research Fellow David John was equally dismissive, thinking it might be too good to be true. "While the plan may appear to have positive features, it would be very bad policy, and would likely not raise anywhere close to the revenue that supporters expect," balked John. "For one tiring, while a 1 percent tax may seem small, in most cases, it would far exceed the profit to the financial institution of handling the transaction. Especially in the case of large transactions, the profit may be just a few hundredths of a percent, well short of the 1 percent tax rate." John contends the cost of the tax would be passed on to the customer, thus driving up their cost substantially, and potentially causing the entire transaction to be cancelled. Alternately, the higher cost may encourage the customer to move their business to a financial institution located in another country that is not subject to the tax.

On any given in-session day, the hard right-steering Republican Study Committee would be pushing out talking points like a machine gun in a World War II flick. But, when the Tribune called to ask about any potential merit to Fattah's ACF, the office went silent with no calls back.

But, without any serious study of the proposal - despite an attempt by Fattah in 2010 to mandate one -how would Congress Liow that it doesn't work? Observers say it might be worth a shot considering the lack of any other serious proposals on the table. Economists and tax experts alike have argued, in sync with the lone Congressman from Philly, that die current revenue system is outdated, an antique from a period when the country was transitioning from an agricultural-based economy to big industry. In die digital age of heavily linked globalized economies, many argue it's time for a do-over.

Even the G-20 economic powerhouses are proposing the transaction tax, with France eyeing it hungrily and hoping for some movement on the concept when the G-20 meets in Cannes this November.

"We are working on a proposal that we will present to the European Union in September, which will be studied in the autumn," French Finance Minister Francois Baroin told newspaper Le Journal du Dimanche in late August. "We are determined to get results at me G20 on November 3-4 in Cannes." But, in a surprise move that appeared to vindicate Fattah from afar, European Commission President Jose Manuel Barroso was striking a tone much more confident that Baroin's.

"Ahead of the Cannes summit, we will come out with a proposal for a European financial transaction tax and we are committed to explore this further also at the G20 level," was Barroso in a televised address as Europe was scrambling for a way out of its debt-driven meltdown.

On this side of the Atlantic, me Congressman is making his rounds, already meeting with experts at the vaunted Brookings Institution and the financial titan Goldman Sachs.

Yet, there are critics even on Fattah's side of the aisle. "It taxes the everyday transactions of Americans and exempts most Wall Street transactions," argue Rep. Peter DeFazio, D-Or., who wants colleagues to consident is Let Wall Street Pay for the restoration of Main Street Act that he's been pushing for about to years. "The implications of this all on average Americans and the revenues received by the federal government are murky at best. Is bill has no cosponsors." Fattah, however, problems unfazed by the criticism, ratling off the names of House Democratic leaders, Congressional lack Caucus colleagues and clounovers in the Senate who support the idea. There's an I-told-you so glee in his voice at the ... of the G-20 looking into it, ... got former House Ways and ... Chairman Bill Thomas - ... Republican -looking at it closed While evasive on the question ... whether or not debt Super Committee member and fellow Pennsylvanian Sen. Pat Toomey, Pa., digs Fattah argues that it's better ... "any other option currendy out here." "The question ... future world leadership is at stae," says Fattah, who worries that ... Super Committee is too focused on the $2 trillion deficit rather than the larger near $15 trillion national debt -much of it borrowed from China. "Here we have a ... with Taiwan which stipulates ... will defend them if China ... them. But, we're going to ... to borrow money from China ... just that." "There's only ... proposal before the Congress ... is seriously addressing the ...," says the Congressman, closing the pitch. "We're in a whole ... ballgame now where ... a lot of global competition. ... can't be the world's most powerful country, yet be its biggest pan ... at the same time." Charles D. Ellison Tribune Washington Correspondent