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CONGRESSIONAL LEADERS CALL FOR FLAT TAX

By *Julie Borowski* on *Dec 01, 2010*

Late Noble Prize winning economist Milton Friedman first proposed a flat tax in 1962. Nearly thirty years later, the idea gained national prominence when FreedomWorks Chairman Dick Armev introduced a flat tax proposal on the House floor. He [pledged](#) that a simple flat tax would allow Americans to "file their taxes on a form the size of a postcard." Unfortunately, the Armev flat tax failed to pass Congress. To this day, we are still stuck with one of the most [complicated](#) tax codes in the world.

But could that change soon? When the new Republican controlled House convenes in January, we could potentially see the flat tax gain steam again. This week, Rep. Mike Pence (R-IN) [announced](#) his intention to push for a simpler tax code.

There is one system that meets all of these criteria: the best option, the most pro-growth option is a flat tax. I believe it is time that America adopted a flat tax and scrapped the current system once and for all.

In the Senate, Jim DeMint (R-SC) could potentially [introduce](#) a flat tax bill next year. This is encouraging news. We have not seen any serious legislative efforts to improve the tax code in over a decade. Pence further [discusses](#) that under his proposal "individuals and businesses would pay taxes at the same rate."

Apply the rate and your taxes are done. Everyone pays the same rate, and the more money you make, the more you pay. It's fair, simple and effective.

Replacing the current messy tax code with a flat rate tax would be a huge improvement. Since the early 1990's, the flat tax revolution has spread across the world. Currently, [25 nations](#) have adopted a single-rate flat tax system. Most of these nations have tax rates below 20 percent. This month, Romania's Senate just approved a proposal to lower their popular flat tax from 16 to [10 percent](#). After implementing a flat tax, nearly all of these foreign nations have experienced economic growth and lower unemployment rates. [According](#) to Cato Institute scholar Marian Tupy,

Seven EU countries (Bulgaria, the Czech Republic, Estonia, Latvia, Lithuania, Romania and Slovakia) have introduced a flat income tax, which has proven so popular and economically beneficial that three more EU members (Hungary, Poland and Greece) are considering it.

Just a few days ago, [Hungary](#) joined the flat tax club. Could Greece implement a flat tax before America?

Russia is one of the prime examples of the success of the flat tax. In 2001, Russia replaced its progressive tax code with a single flat rate of 13 percent for all. The results have been outstanding.

Between 2001 and 2004, The Hoover Institute found that tax revenue actually rose by [79.7 percent](#). Even a New York Times headline [read](#) "Russia Imposes Flat Tax on Income, and Its Coeffers Swell." When people find their taxes to be low and sensible, they are willing to produce and invest more. As Art Laffer [says](#):

People do not work, consume, or invest to pay taxes. They work and invest to earn after-tax income, and they consume to get the best buys after tax.

In just the first year of implementation, Russia's GDP grew a dramatic [five percent](#). It's important to note that the flat tax has not solved all of Russia's problems. As Cato Institute scholar Dan Mitchell correctly notes, many of Russia's problems can be [blamed](#) on lack of property rights and excessive government intervention in the economy.

So why hasn't the United States joined the flat tax revolution? Powerful special interest groups have

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- 2008 (217)
- Agriculture (10)
- Budget (211)
- Campus (10)
- clinton (3)
- earmark pledge (35)
- Earmarks and Corruption (83)
- Elections (262)
- Energy (227)
- Financial Markets (29)
- Foreign Affairs (15)
- Grassroots Tactics (215)
- Health Care (393)
- Labor (101)
- McCain (7)
- Media (34)
- National Sovereignty (9)
- obama (42)
- Property Rights (39)
- Ron Paul (11)
- School Choice (23)
- Social Security (76)
- State Budget (38)
- States (246)
- TABOR (7)
- Taxes (443)
- Telecom (92)

blocked any efforts to improve the tax code.

According to Mike Pence, our current tax code has "special preferences and tax loopholes that Congress and an army of lobbyists have built into the tax code over time. These fuel special interests and generally benefit one person, business or industry over another." No wonder so many special interest groups are hostile to a flat tax. It would actually treat people equally.

Just imagine filling out your tax forms in five minutes with a flat tax. According to the IRS, the average American taxpayer spends [26.5 hours](#) preparing and sending in their taxes. Even IRS commissioner Douglas Shulman [admits](#) that he uses a tax preparer to file his own taxes, "I've used one for years. I find it convenient. I find the tax code complex so I use a preparer." Over a day of valuable time is lost each year that taxpayers could have spent being productive, spending time with family and friends or any way that they choose.

It's promising that the flat tax is finally making a comeback. Hopefully, Mike Pence, Jim DeMint and other lawmakers will successfully push for a flat tax code. It's been reported that even [China](#) may now be considering a flat tax. We need to boost our global competitiveness. One notable way is to implement a flat tax that will lead to faster economic growth while treating everyone the same.

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COMMENTS



Soldier3000

Posted December 1, 2010, 10:19 PM

I agree, it should not take a whole fiscal year to just turn in your taxes. Oh i love how we have to just give our earned money to people who just blow it on things like turtle crossings, side walks to no where, and windows for abandoned buildings. I bet that these projects have people in charge getting pretty rich. I feel like those spokes people for movies, " in a word where no one can be trusted, socialism is at your door, and your own president is against the very country he serves, there are people called Americans.....Can they survive the curropt system....or will they become the next....Ireland!!!! duh duh duuuuh!"

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gk

Posted December 2, 2010, 1:53 AM

FairTax, not flat tax! It's simple ...get off the income tax, you can't tax labor...got it?

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FLChristyB

Posted December 2, 2010, 6:11 AM

NO, NO, NO!! The Flat tax has already been tried...twice! Does not work! As long as Congress can make changes it will go right back to the way it is now. We MUST get it out of their hands. The FAIRTAX is the ONLY way to go!! It is open, people can see exactly what they are paying and will know if even a slight change is made, AND it broadens the base, treats everyone fairly, and will allow businesses to THRIVE! We would have foreign businesses knocking down our doors to set up here if we had the FairTax!! We must ALL contact our Reps and push, push, push for this. Eliminating the IRS would be its first, best result!

Flag



Brent Earl

Posted December 2, 2010, 3:51 PM

Stop all income taxes and move to consumption, sales, or Fair tax. It will give a huge boost to our economy and stop hidden taxes. It won't eliminate the IRS but it will reduce the amount of audits by the IRS from about 300 Million people to about 20 Million businesses and take away the IRS's ability to cease individual Americans' assets without due process.

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[Trade](#) (76)
[U.S. Budget](#) (254)
[Uncategorized](#) (385)

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[December 2010](#) (3)
[November 2010](#) (24)
[October 2010](#) (28)
[September 2010](#) (52)
[August 2010](#) (70)
[July 2010](#) (47)
[June 2010](#) (38)
[May 2010](#) (21)
[April 2010](#) (39)
[March 2010](#) (75)
[February 2010](#) (38)
[January 2010](#) (52)
[December 2009](#) (41)
[November 2009](#) (44)
[October 2009](#) (45)
[September 2009](#) (57)
[August 2009](#) (75)
[July 2009](#) (75)
[June 2009](#) (54)
[May 2009](#) (34)
[April 2009](#) (42)
[March 2009](#) (57)
[February 2009](#) (51)
[January 2009](#) (12)
[All 2008](#) (403)
[All 2007](#) (628)
[All 2006](#) (411)
[All 2005](#) (65)

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DICK ARMEY

601 PENNSYLVANIA AVENUE NW, NORTH
BUILDING, SUITE 700, WASHINGTON, DC
20004

PHONE: 202.783.3870 FAX: 202.942.7649

TOLL FREE: 1.888.564.6273

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