



Tax Policy Center

Urban Institute and Brookings Institution

THE TAX POLICY

BRIEFING BOOK

*A Citizens' Guide for the
2012 Election and Beyond*

INTRODUCTION

What is the Briefing Book?

When policymakers testify before Congress or get grilled on Sunday morning interview programs, they carry with them a briefing book, a binder full of questions and answers prepared by their staff covering (they hope) every topic that might come up. The document on your screen is page one of your briefing book on tax and budget policy, a compendium of information on a host of questions likely to be addressed during the 2012 presidential election debate and beyond. This briefing book is intended as a resource for the public, the press, and even the presidential campaigns-in short, for anyone who wants to be well informed about current tax and budget matters.

Many of these questions deserve to come up-and be vigorously debated-in the 2012 campaign, for tax policy today is at a critical juncture. Most of the individual income tax cuts enacted since 2001 are scheduled to expire at the end of 2012. Congress faces a decision about whether to extend some or all of the tax cuts, or modify some while keeping others intact, or start with a clean slate and overhaul the tax system entirely. Adding to the pressure is the individual alternative minimum tax (AMT), which Congress has repeatedly "patched" to prevent tens of millions of middle-income taxpayers from being swept into its net. All of these issues are cast against a background of federal budget deficits that will soon grow dramatically if nothing is done. In 2013 a new president and a new Congress, whatever its composition, will have to confront the daunting scope and nature of tax changes needed to address these challenges.

The candidates in the 2012 presidential race have offered voters markedly different proposals to change the federal tax system; these range from extending the recent tax cuts only for low- and middle-income households to replacing all federal taxes with a consumption tax. Evaluating these proposals requires a clear understanding of the complexities, inequities, and inefficiencies of the current tax system and the implications of the changes proposed. Beyond the election, that same knowledge will be needed to enlighten the debate about how to deal with the upcoming sunset of the 2001-10 tax cuts.

This Tax Policy Briefing Book offers a broad array of short explanations of important tax issues. Some simply provide background on the current state of tax and budgetary affairs: How much revenue does the federal government raise from which sources? How do Congress and the president decide on a budget? Others explain the key elements of the tax system: What taxes are now on the books? How do they affect individuals, families, and businesses? How do those effects change over time? Still others look forward, evaluating various proposals to improve the federal tax system: What incremental reforms would make the system work better? What impacts would more fundamental reforms have? Finally, a set of entries examines how state and local governments raise funds and how their taxes interact with the federal tax system.

How is the Briefing Book Organized?

The briefing book is organized into four topic areas: background, key elements of the U.S. tax system, ways to reform it, and taxes at the state and local level. Links at the end of each entry take you to related entries, references containing additional information, and revenue and distributional tables. The Glossary link on the left side of each page takes you to a chapter containing definitions of many technical terms related to taxation and budgeting.

- **Some Background:** discusses general aspects of the tax system.
- **Key Elements of the US Tax System:** discusses specific aspects of our tax system and how they affect taxpayers.
- **How Could We Improve the Federal Tax System:** addresses changes that could make the current tax system simpler, fairer, and more efficient.
- **The State of State (and Local) Tax Policy:** looks at how state and local governments raise funds to finance government services and other activities.
- **Glossary:** defines a broad range of terms used in the briefing book.
- **Appendix: TPC's Greatest Tables:** brings together a collection of often-requested revenue and distributional tables, covering a broad range of tax laws and proposals.

Coming Soon

How Should the Use the Briefing Book Be Used?

The Tax Policy Briefing Book is not like other books; few if any readers will start with the first brief and read straight through to the conclusion. Instead you can pick a topic, read the basic information on it, and then follow the links to related entries in the briefing book or to supporting data tables and publications.

"Print" buttons on every entry allow you to print out that entry. Of course, we plan to continually expand and update the online book, so you may want to check online for new material from time to time. For example, we plan to add a new chapter devoted to the tax proposals offered by the presidential candidates. And we will be adding more topics and features to the book after the 2008 election, when the contours of the tax policy debate become clearer.