

# How Could We Improve the Federal Tax System?

OTHER COMPREHENSIVE TAX REFORMS

What is the X-tax?

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A. The X-tax is a variant of the flat tax developed by economist David Bradford. It is mechanically identical to the flat tax, except that it incorporates graduated tax rates on household wage income to improve progressivity.

The X-tax is a variant of the flat tax developed by Princeton economist David Bradford (1986). Like the flat tax, it is consumption based and incorporates two elements: a business tax and a personal tax.

On the business side, firms would be responsible for paying taxes on their sales, less material costs and wages; the business tax rate would be equal to the highest individual tax rate. On the individual side, individuals or households would be taxed on wages, less a deduction based on family size. The individual tax would have graduated rates up to a maximum equal to the business rate.

The major difference between the flat tax and the X-tax is the inclusion of a graduated individual rate structure on wages. This makes the X-tax more progressive than the flat tax.

*Updated May 2020*

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## Further Reading

Bradford, David F. 1986. *Untangling the Income Tax*. Cambridge, MA: Harvard University Press.

———. 2003. [“The X Tax in the World Economy.”](#) CEPS Working Paper 93. Princeton, NJ: Princeton University.

Viard, Alan D., and Robert Carroll. 2012. [Progressive Consumption Taxation: The X-Tax Revisited](#). Washington, DC: AEI Press.

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