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PROGRESSIVE CONSUMPTION TAX ACT OF 2016

Our tax code should be fair for families and employers. It should help make American-based businesses more competitive and our Nation's economy stronger. It should also provide a way to responsibly and reliably collect reasonable revenues.

Past comprehensive tax reform efforts focused on our current income tax system—lowering the rates, and broadening the base. However, this “1986-style” reform makes it difficult to obtain rate reductions—and the provisions that pay for those rate reductions can be easy to change or roll back.

The Progressive Consumption Tax Act creates a Progressive Consumption Tax, or “PCT,” that changes the way the federal government raises revenue. Rather than taxing income, the PCT generates reasonable revenue by taxing the purchase of goods and services. This revenue is used to exempt most households from any federal individual income tax liability and significantly lowers the corporate income tax rate. Low- and middle-income families would be protected from unfair consumption taxation through a PCT rebate, and important benefits would be retained in a much simpler income tax code.

Every other developed country in the world, including all other Organisation for Economic Cooperation and Development (OECD) countries, have a consumption tax. A progressive consumption tax would improve America's international competitiveness by putting American-based businesses on a level playing field with foreign businesses and by lowering the U.S. corporate tax rate below the OECD average.

The initial version of the Progressive Consumption Tax Act was introduced in the 113th Congress to provide an opening for discussion and a first opportunity to review legislative language for this type of comprehensive tax reform. Although consumption taxes are already imposed by many countries around the world, the Act's reforms would be new to the U.S. tax code. Since the introduction of the Progressive Consumption Tax Act, many policymakers, including in Congress, have become increasingly interested in moving to a border-adjustable consumption tax base.

The updated Progressive Consumption Tax Act of 2016 contains several refinements to the original Progressive Consumption Tax Act based on input received over the last Congress. However, more input is needed, especially as Congress moves to consider comprehensive tax reform in 2017. After a period of considering comments from stakeholders and analyzing its revenue impacts, the Progressive Consumption Tax Act will be reintroduced in the 115th Congress.

Please see the FAQs and summary materials for more detailed information. Specific issues where input is needed are described in the Additional Input document. If you have a suggestion on the Progressive Consumption Tax Act, or more questions, please email PCT@cardin.senate.gov.