Generally Accepted Pros and Cons
Of A Gross Receipts Tax

Pros

- May decrease the number of tax planning options available to firms
- Generally easier to administer and comply with
- Should provide a more stable revenue source as receipts are inherently more stable than profits
- Applicable at a lower rate than most taxes because of the broad base
- Some of the contrary arguments to the gross receipts tax may be mitigated by allowing for deductions (COGS or standardized), and/or credits for low/no income firms, and/or separate rates

Cons

- Considered a pyramiding tax – the effective rate will be greater than the nominal tax rate, with the difference dependent on the different stages of production
- The effective rate will vary by economic sector, dependent on the number of production stages
- May encourage firms to purchase input goods from out of state firms that are not subject to the tax, or vertical integration
- Often becomes complex as lawmakers modify the tax to counteract divergent effective rates
- Imposes a significant burden on low margin firms
- Lack of *public* transparency
- *Taxes firms that have no income*

Generally Accepted Pros and Cons
Of A Value Added Tax

Pros

- *Dependent on implementation and applicable rules, may or may not be* transparent
- *Considered to* encourage saving and investing
- Economically neutral in contrast to income, property, or payroll taxes
- Should provide a more stable revenue source as consumption is inherently more stable than profits
- Generally easier to administer and comply with

Cons

- *Dependent on implementation and applicable rules, may or may not be transparent*
- Considered regressive
- May reduce economic activity in the real economy commensurate with increase in saving levels
- Likely place inflationary pressures on wages and prices
- May be complicated to introduce at the State level
- *Introduces transactional record keeping at all levels of commerce*
- *May be easily subject to fraud and abuse*

Generally Accepted Pros and Cons Of An Alternative Minimum Tax

Pros

- Improves the perceived "fairness" of the corporate income tax
- Helps smooth out revenue collections since every corporation pays some tax each year
- Accelerates tax revenues
- *Curtails a business's ability to take advantage of tax breaks by imposing a floor*

Cons

- Can increase administrative costs and complexity for business and government
- Essentially increases the tax liability for businesses during recessionary periods and decreases it in boom periods
- May be paid by few businesses and result in little additional revenue
- May not affect all businesses or industries equally
- May alter timing and other decisions related to capital investment
- *Curtails a firm's ability to take advantage of tax breaks by imposing a floor*

Generally Accepted Pros and Cons Of A Flat Corporate Income Tax

Pros

- May increase rate of tax compliance
- Simplification and reduction in tax forms should provide administrative cost savings
- May reduce economic distortion caused by tax expenditures
- Reduces costs associated with tax preparation

Cons

- Would likely me manipulated at some point after implementation
- May reduce economic distortion caused by tax expenditures