

WHAT'S FAIR IS FAIR, OR IS IT? A COMPARATIVE ETHICAL ANALYSIS OF THE FLAT TAX, THE MODIFIED FLAT TAX, AND THE FAIR TAX

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ABSTRACT

This paper describes and examines the ethical implications of a “True Flat Tax”, a “Modified Flat Tax”, and the proposed “Fair Tax” from the perspectives of two ethical frameworks: utilitarianism (i.e., concerned with the fairness of the outcome of the tax) and deontology (i.e., concerned with the fairness of the intent of the tax). The results of the analysis indicate from a deontology perspective all three tax models are judged to have ethical worth based on their intentions of simplifying compliance and making the system fair. Based on those intentions, one could will either of the three tax plans a universal law and hope that its consequences follow its good intentions. The results of the utilitarian analysis indicate all three of the taxes have good end results with their ability to reduce complexity, compliance costs, and collection costs, thus making the adoption of any of the three proposed tax systems appear beneficial. However, a utilitarian philosophy seeks the greatest amount of good for the greatest number of people. The True Flat Tax and the Fair Tax were found to be unethical on utilitarian grounds because they do not bring about the greatest amount of good for the greatest number of taxpayers when relative sacrifice, based on the concepts of proportionate sacrifice and marginal utility, among taxpayers was considered. However, the Modified Flat Tax proposal has the potential to affect all taxpayers equally after consideration of relative sacrifice, and may be deemed ethical under utilitarian theory. Overall, the only proposed tax code revision that was found to be ethical from both the deontology and utilitarian perspectives analyzed was the Modified Flat Tax.