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For ambitious tax reform efforts to succeed, policymakers must grapple with an unavoidable reality: Public trust in our tax system has eroded. Taxes themselves are not the issue — most Americans feel that paying taxes makes them a good citizen. The problem is that taxpayers believe the system is unfair and are often frustrated by the inadequate government assistance offered in return.

The federal government must get the tax basics right and guarantee that everyone pays their fair share. For too long, we have seen deficits grow while new legislation pokes convoluted holes in the tax code and reduces the tax burden on the wealthy.¹ In turn, our fiscal capacity decreases and tax skepticism increases.

Lawmakers must be prudent where they focus their revenue-raising efforts. Parts of the tax code work as they should — they generate revenue in an efficient manner and collect more from those who are most able to pay. But that is not always the case. Key provisions are backward, exploited by the richest among us, which makes it harder to ensure that no American is left behind. These aspects — the loopholes and advantages, tangled up in tax code complexities — are where Congress should focus its reform efforts.

Taxes Toward a Prosperous Nation

Any legislative effort should be clear about the primary goal: establishing a more prosperous nation for all Americans. This type of ambition is only possible with greater fiscal capacity. Taxes are necessary to fund the foundational programs that keep Americans out of poverty and facilitate upward mobility, even when temporary setbacks occur. From launching a business to starting a family to retiring after a life of hard work, each choice carries a certain degree of risk, and none of it is able to happen without a robust safety net. The current fiscal shortfall threatens proper investment in these programs — whose limited offerings can impede Americans' ability to make major life decisions and impact affordability and private investment.²

Tax reform needs to be guided by two principles. First, ensuring that everyone is paying their fair share — that no taxpayer gets an unfair privilege because of their wealth. Second, building a more robust tax base, through broad and progressive changes that are durable and can provide sufficient revenue to fund a generous welfare state. Tax increases should be paired with benefit

¹ Between the 1960s and 2019, average tax rates have decreased for the top 10% of earners and every higher income subgroup; tax decreases grew steeper with each subsequent income group. Data from: Thomas Piketty, Emmanuel Saez, and Gabriel Zucman, [Appendix Tables II: Distributional Series](#), Appendix Table II-G1. Also see: Thomas Piketty, Emmanuel Saez, and Gabriel Zucman, [Distributional National Accounts: Methods and Estimates for the United States](#), *The Quarterly Journal of Economics* 133, no. 2 (2018): 553–609.

² Peter G. Peterson Foundation, [The National Debt Can Crowd Out Investments in the Economy — Here's How](#) (New York, NY: Peter G. Peterson Foundation, updated July 2, 2026); Committee for a Responsible Federal Budget, [Deficit Reduction Is Key to Improving Affordability](#) (Washington, DC: Committee for a Responsible Federal Budget, September 23, 2026).

side reforms that give Americans confidence that their tax dollars are being used to promote general welfare.

Higher tax revenues can coexist with a competitive tax code if reforms are made thoughtfully.³ While increasing taxes will change behavior, and may have an impact on GDP growth, it should be a top priority to support social program spending.

A forward-looking approach to tax reform

The future of American tax reform demands a different approach than lawmakers have taken in the past. Comprehensive, ground-up changes are necessary to revitalize the tax code, not another series of tax cuts and patchwork benefits. Our proposals will emphasize ways to close glaring loopholes, pursue comparable treatment of income no matter the source, and raise revenue by making the wealthy and corporations pay what the current system lets them avoid. Through these reforms, the tax code will return to its intended purpose: creating the most possible opportunity for Americans.

Taxpayers should understand their tax liability, know why they owe it, and be confident that others are following the same rules. Clear and consistent tax principles must be prioritized over pages of exceptions for those who could afford to lobby for them. We must work toward a tax system simple enough that you don't need an accountant or attorney to know what you owe, and where a teacher isn't more burdened than an executive.

Searchlight's tax reforms will focus on:

- **Simplifying** the tax code to improve predictability and neutrality for individuals and businesses, so every taxpayer can understand the taxes they owe and the tax benefits for which they qualify;
- **Eliminating loopholes**, like backdoor contributions or reclassifications, that artificially incentivize unfavorable types of economic activity or allow the wealthy and corporations to avoid paying their fair share by lowering tax rates in ways that lawmakers didn't intend;
- **Raising revenues** needed to reduce economic precarity, improve the administrative infrastructure of federal programs, close the federal deficit, and guard against rising uncertainty for the American workforce.

³ Alex Mengden, [A Competitive Tax Code Doesn't Have to Sacrifice Revenue](#) (Washington, DC: Tax Foundation, March 9, 2026).

To support this effort, we will provide a direction for tax reform in five categories:

- Personal capital taxes
- Personal income taxes
- Corporate and business taxes
- Consumption and excise taxes
- Tax enforcement and administration

These proposals focus on general revenues. Tax reforms for contributory programs, such as trust fund solvency, will be addressed in separate proposals, as those programs entail a distinct set of political considerations and trade-offs that warrant specific attention.

Proper treatment of personal capital

Imagine if wealth wasn't hoarded in tax-exempt accounts, but was instead invested back into society. While it is important to protect some investments, like your starter home, your modest inheritance, or your kid's college tuition, additional guardrails will ensure that loopholes in capital taxation can no longer be used by millionaires and billionaires as a means to avoid contributing.

Capital taxation should work the same for everyone. Capital gains taxes are paid on investments like homes, stocks, or collectibles. When someone chooses how and when to invest, it should be a way to spur the economy and save productively, not the go-to method for the wealthy to avoid paying into the system.

An improved tax code would balance incentives for saving and investment with the need to keep money flowing through the economy, and for appropriate taxes to be paid on accumulated wealth.

While most Americans pay very little in capital gains tax annually, wealthier taxpayers hold significantly more capital and, as a result, pay more capital gains tax.⁴ In fact, the wealthy receive very little of their income as wages, and most of it through investments.⁵ Preferences for capital gains are concentrated among the wealthy, so reforms that close this preference would have a particularly progressive effect.⁶

Fixing the capital taxation system is not as simple as a single tax on wealth, which could be both distortionary (causing major, undesired behavioral changes) and logistically challenging (easily

⁴ Peter G. Peterson Foundation, [How Does the Capital Gains Tax Work, and What Are Some Proposed Reforms?](#) (New York, NY: Peter G. Peterson Foundation, updated April 7, 2026).

⁵ William G. Gale and Semra Vignaux, [The Difference in How the Wealthy Make Money—and Pay Taxes](#) (Washington, DC: Brookings Institution, September 7, 2023).

⁶ Urban-Brookings Tax Policy Center, [Tax Benefit of the Preferential Tax Rates on Long-Term Capital Gains and Qualified Dividends](#), T26-0137 (Washington, DC: Urban-Brookings Tax Policy Center, August 21, 2026).

avoided and potentially unconstitutional).⁷ Better reforms will focus on reducing senseless tax advantages for certain types of investments, closing loopholes related to personal capital and taxes, and preventing avoidance behaviors.

Searchlight's capital tax reforms will focus on:

- Repealing distortionary exemptions and loopholes used by the wealthy to shield capital from realization and taxation;
- Limiting deductions that are leveraged by the wealthy to avoid paying their fair share of taxes;
- Balancing motivation to save and invest reasonably with the need to contribute to the nation's economic well-being through taxation;
- Ensuring capital compensation treatment is better equalized with wage compensation, with a focus toward disincentivizing avoidance.

Fixing personal income taxes

Personal income taxes comprise over half of federal tax revenue. Income taxes are also the vehicle for many of the country's welfare programs, and can alter taxpayer behavior. Therefore, income tax reforms must carefully navigate their impact on revenue and taxpayers' financial well-being.

There is, however, a limit as to how much revenue we can raise by increasing income tax rates.⁸ As convenient as it sounds, we cannot only leverage higher marginal income tax rates on the wealthy to support the long-needed reforms to social programs. Because of how income tax revenue is distributed, and the fact that the income tax is one of the more progressive aspects of our tax code, more focus should go toward reforming corporate and capital taxation.⁹ With that said, revenue can be found by eliminating distortionary exemptions and deductions that are Band-Aid solutions or giveaways to wealthier Americans.

Searchlight's personal income tax proposals will focus on:

- Limiting and eliminating loopholes in the tax code, especially those utilized by individuals with higher incomes;

⁷ There is wide debate surrounding the feasibility, behavioral impact, budgetary effect, and constitutionality of a tax on unrealized capital gains, or a "wealth tax". For an overview, see: Janet Holtzblatt and Gabriella Garriga, [Taxing Wealth in the United States: Issues and Challenges](#) (Washington, DC: Urban-Brookings Tax Policy Center, February 2025); Mark P. Keightley and Donald J. Marples, [An Economic Perspective on Wealth Taxes](#), IF11823 (Washington, DC: Congressional Research Service, February 1, 2022); Daniel Bunn, [What the US Can Learn from the Adoption \(and Repeal\) of Wealth Taxes in the OECD](#) (Washington, DC: Tax Foundation, January 18, 2022).

⁸ Rachel Moore, Brandon Pecoraro, and David Splinter, [Are Laffer Curves Flat? Bridging Structural and Sufficient-Statistic Approaches](#) (working paper, September 10, 2026).

⁹ Garrett Watson and Emily Kraschel, [After Pandemic Relief Ended, CBO Shows Federal Taxes Remained Progressive in 2022](#) (Washington, DC: Tax Foundation, April 16, 2026); Urban-Brookings Tax Policy Center, [Are Federal Taxes Progressive?](#) (Washington, DC: Urban-Brookings Tax Policy Center, updated January 2024).

- Eliminating distortionary exemptions that complicate the tax code without providing meaningful relief for low-income individuals;
- Limiting deductions that allow higher-income individuals to benefit from substantially more tax breaks than lower-income individuals.

Competitive and fair corporate and business taxes

Businesses in America provide jobs and drive innovation. They are strong because of our workers, but increasingly, a sluggish labor market and a shrinking social safety net threaten the middle class. **Businesses have relied on workers to create their success and wealth, and should shoulder reasonably higher taxes to cover program expansions that benefit workers and their families.**

The first corporate income tax was established to control corporate managerial power, in an era when large businesses and their leaders held outsized influence, and as a replacement for tariffs, which were determined to be regressive.¹⁰ These issues are as important to the corporate tax debate in 2026 as they were in 1909, and underscore the continued importance of business taxation.

When corporations and the wealthy pay their fair share, it is not a punishment of their success but rather a signal that they are supporting the American dream. These contributions allow the nation to invest not only in the safety net, but in education and workforce training, as well as other investments that allow more Americans to be successful.

To ensure businesses maximize their hiring and investment in America, business taxes should be both predictable and understandable, as well as internationally competitive. While some recent tax reforms have made strides in these regards, other changes have created opportunities for some businesses to avoid paying their fair share.¹¹

Worker pay is at its lowest proportion of gross income and business profits are at their highest since the 1940s — increasing by 50% since 2019 alone.¹² The time is ripe for corporate tax reform.

¹⁰ Reuven S. Avi-Yonah, [Why Was the US Corporate Tax Enacted in 1909?](#), in *Studies in the History of Tax Law*, vol. 2, ed. John Tiley (Portland, OR: Hart Publishing, 2007), 377–392.

¹¹ For example, the OECD Global Minimum Side-by-Side agreement and simplified safe harbor rules that provide clarity for U.S. multinationals: Organisation for Economic Co-operation and Development, [Global Minimum Tax: Understanding the Side-by-Side Package](#) (Paris, France: OECD, January 13, 2026). There is also some evidence that international tax avoidance activity decreased somewhat as a result of TCJA and improved international competitiveness, although this is a complicated balance. See: Kimberly A. Clausen, [Profit Shifting Before and After the Tax Cuts and Jobs Act](#), *National Tax Journal* 73, no. 4 (2020): 1233–1266; Brayden D. Bulloch, Fabio B. Gaertner, and Mary E. Vernon, [Did the TCJA Change Corporate Tax Avoidance?](#) (SSRN, January 20, 2026); Maureen Leddy, [Experts Find Profitable Corporations Paid Little or No Federal Income Tax in 2025](#) (Thomson Reuters Tax & Accounting News, April 16, 2026).

¹² Greg Ip, [The Record Divide Between Corporate Profits and Worker Pay](#) (The Wall Street Journal, May 28, 2026).

This should be done to promote the ways businesses contribute to our economy — hiring, investment, and fairly compensating workers. Reforms should also aim to establish durable, simple tax structures that allow businesses to grow and contribute to the tax base with certainty.

Searchlight's corporate and business tax reforms will focus on:

- Closing loopholes that allow businesses to elude taxes through avoidance, profit shifting, or deferrals made solely for tax purposes;
- Reducing preferential or distortionary tax treatments and targeted credits that reduce federal revenues;
- Incentivizing favorable business practices while reevaluating rates, treatment of corporate capital, and executive compensation.

A calculated increase of consumption and excise taxes

Consumption and excise taxes make up a fairly small proportion of revenues in the United States.¹³ Most consumption and excise taxation is conducted at the state, rather than the federal, level. While not a large lever, there are federal-level reforms that would build upon the current tax code and raise revenue. Our tax reforms will seek to modernize excise tax treatments and explore progressive means of taxing consumption amid our evolving labor markets. These reforms will help offset social costs of some goods such as marijuana and sports betting, neutralize and modernize treatment across excised categories such as vehicle travel (gasoline), and increase the share of federal revenues driven by consumption taxes — which is especially important given the potential reduction in labor tax revenue due to technological advancement.

Searchlight's consumption and excise tax proposals will focus on:

- Reducing exemptions in the excise taxation of certain goods to improve neutrality within markets;
- Reevaluating the tax treatment of certain "public bads;"
- Exploring small changes to increase consumption taxation in the United States, in the direction of many OECD peers.

Enforcement and administration

After tax policies are passed, enforcement and administration are key to ensuring the revenue is effectively and fairly collected. **Some of the tax system's weaknesses are not issues with the tax code itself, but with its enforcement and administration.** Many of these problems arise from decreasing funding to the IRS, which limits the agency's resources to provide taxpayer

¹³ Urban-Brookings Tax Policy Center, [What Are the Sources of Revenue for the Federal Government?](#) (Washington, DC: Urban-Brookings Tax Policy Center, updated January 2024).

assistance, improve operational efficiency, and recover unpaid taxes through enforcement.¹⁴ While not all IRS reforms will directly raise revenue, they are vital for the implementation of any direct revenue-raisers. An IRS that is modernized and responsive is better equipped to help taxpayers navigate changes and pay their taxes.

Searchlight's enforcement and administration proposals will focus on:

- Funding general IRS enforcement to ensure everyone is paying their fair share of taxes, including the fair and consistent application of penalties. This could include increased oversight, especially for tax-advantaged entities, and for individuals and businesses with the highest likelihood of underpayment;
- Strengthening taxpayer assistance and services to improve the understanding of the tax system and help with proper and timely tax payment, including pre-filing agreement and settlement programs;
- Improving tax data and modeling capacity to allow for more accurate assessments of tax policy impacts and areas for future improvements.

Making the most of this tax opportunity

The federal government needs to fix its sources of tax revenue and the way it collects those dollars. The best way to raise these revenues is to enact broad reforms of the tax code while maintaining internationally competitive rates and reducing complications for most taxpayers.

Searchlight intends to reinforce these goals and explore how to maximize tax revenue to expand social benefit programs, invest in our infrastructure, and address the federal debt, in addition to other long-needed federal policies.

With a focused effort, we can restore public trust in our tax system and ensure that every American embraces a “contributory state of mind.”

¹⁴ The Budget Lab at Yale, [A Weakened IRS Has Substantial Consequences](#) (New Haven, CT: The Budget Lab at Yale, updated April 13, 2026).