An effective reform of the tax code is unlikely under present conditions because of the changing nature of partisanship over the last twenty-four years. This will be evidenced through analyzing tax reform efforts in 1990, 1995-1996, 2001, 2005-2006, and 2010. Each year’s income tax policy developments will be documented and evaluated based on party composition in Washington, D.C. at the time. Individual income taxes will be the focus of the research because of time, length, and complexity issues. They are also the most relevant for the greatest number of people because everyone who works must pay income taxes.

**Partisanship: A Literature Review**

Many researchers suggest that the reason Democrats and Republicans do not work together is because they do not have an incentive to do it; working with the other side can often come at their own political peril. Members of both parties must remember that they are supported by a core group of loyalists who believe strongly in that party’s ideals. If members of Congress stray too far from those ideals—say by trying to compromise with the other side on an issue—then party loyalists may see them as being too weak and not committed enough to the party. That could then lead to a costly primary fight and the candidate failing to be re-elected at either the primary or general election. Therefore, bipartisan efforts often fail because members of Congress decide to toe the party line as a way to ensure continued support of their key supporters (Mellow and Trubowitz 435).

So why risk being bipartisan at all? Bipartisanship occurs because many Democrats and Republicans fear losing the moderate vote. They must demonstrate to moderates that they are willing to work with the other side for the good of the greater population (Mellow and Trubowitz 436). Mellow and Trubowitz offer a few scenarios in which bipartisanship might surface.

The first scenario offered by Mellow and Trubowitz is when the economy is expanding. When the economy is down, Democrats and Republicans typically feel the need to respond to the straight-line party issues as a way to secure their political base; they are less concerned with winning over moderates during these periods. It is during times of economic growth that members of Congress feel comfortable with addressing issues of a bipartisan nature (437). Another scenario suggested by Mellow and Trubowitz is when the legislature and executive are controlled by different parties. When this is the case, the president must form coalitions within Congress to get measures passed; he typically does this through reaching out to the moderates of the other party first (438).

Beam, Conlan, and Wrightson offer their own interpretation of partisanship in government in what they call “old style reform: the presidential-majoritarian perspective.” Under this system, a strong president creates sweeping changes with the help of both sides of Congress being controlled by his own party. Then he takes all of that support from the hill and constructs brilliant legislation that is supported by both the public and party. Tax policy up to 1986 was largely characterized by this type of system (Beam, Conlan, and Wrightson 199).

The Tax Reform Act of 1986 was different because President Reagan did not start his endeavor with widespread Congressional support. The House was controlled by the Democrats and many Senate Republicans saw the reform as being detrimental to their core campaign supporters (Beam, Conlan, and Wrightson 200). In fact, what first drove the reform was “a process of interparty competition in which leaders of both groups first sought to win credit and later to avoid blame for killing it” (Beam, Conlan, and Wrightson 200). Thus, a competition emerged in which each party had to respond to the proposals of the other which never would have happened if one party had controlled both houses (Beam, Conlan, and Wrightson 200).

This is similar to the conditions present for the Tax Reform Act of 1986. Republican Ronald Reagan was president during 1986, but the House was controlled by Democrats. The Tax Reform Act of 1986 came about through the deliberation of the Democratic Chairman of the House Ways and Means Committee, Dan Rostenkowski, and the Republican Chairman of the Senate Finance Committee, Bob Packwood. The Act was encouraged along the way, and finally signed, by Republican President Ronald Reagan in October 1986. (Murray and Birnbaum xxi-xxii).

Tax reform in 1986 came about because of a coalition between Democrats and Republicans, each side compromising to see that their desires were met. The Democrats in Congress had been trying to close loopholes for corporations and the wealthy, while supply-side Republicans favored lowering tax rates so that spending by the wealthiest Americans would make its way into the hands of those in the lower tax brackets. Neither side particularly cared for the plan of the other; Republicans recognized that current policies would have to be cut to bring about lower tax rates (Murray and Birnbaum 286).

The 1986 tax reform was different from previous tax reforms, however, because it was not called for by the public and did not have a lot of public support. Polls showed that Americans didn’t like the current tax system with all of its loopholes, but they didn’t trust that the government could actually fix it (Murray and Birnbaum 285). Furthermore, 1986 was different because the developers ignored the special interest groups that tried desperately to keep their tax breaks. The 1986 bill closed over $300 billion worth of tax breaks for corporations over five years, and raised corporate taxes by $120 billion over the same time frame (Murray and Birnbaum 287). This was only possible because of the continued resistance of special interest by President Reagan and Chairman Rostenkowski. The two men were champions of reform, the former desiring to cut the top tax rate by 50 percent, and the latter wanting to prove to the president that his party could do it (Murray and Birnbaum 286). The two men pushed aside lobbyists and made it clear they would consider anyone in Congress standing in their way to be a pawn of special interests (Murray and Birnbaum 287).

Another aspect of the 1986 tax reform that made it interesting was the revenue-neutral component. This meant that the tax bill would not aim at reducing the deficit. The 1986 reform relied on increased corporate taxes to provide relief in individual income taxes (Ippolito 459). This partnership—or widespread tax reform in general—would not have been possible if the bill had aimed at raising revenue for deficit reduction (Ippolito 463). This also meant that spending and income collected through taxes would have to balance to eliminate deficit-spending; if the revenue collected fell short of the projections, then spending would need to be cut in other areas as well (Ippolito 465).