

April 4, 2013

House Ways and Means Committee

Attn: Income and Tax Distribution Tax Reform Working Group

As a private citizen, I would like to take this opportunity to offer my comments to the Tax Reform Working Group. The comments on filing status and automated filing are oriented towards individual taxpayers. The value added tax (VAT) comments are for everyone.

#### FILING STATUS AND TAX RATES

The filing status for taxpayers should be reduced from five options to two; 'Individual' and 'Joint'. Additionally, there should be only one tax rate table for both statuses. It is unfair to have different tax rates because of marital status or having dependents.

I am a U.S. citizen who permanently lives in Spain and the Spanish tax system is set up this way. It works well. Married persons usually file individually when both work, otherwise the total of both incomes may place the taxpayers in a higher tax bracket. Filing jointly is the better option for those with one working spouse as the number of exemptions reduce the tax burden. Persons with dependents also claim exemptions to lower their tax liability. The system is very fair and straightforward and could serve as a model for the United States.

#### AUTOMATED TAX FILING

The IRS should be given a mandate from Congress to implement a more modern, automated system for income tax reporting. Such a system would reduce errors and tax evasion, eliminate the need to review and audit returns, and would result in large cost savings to the government. The mechanisms are already in place for reporting wages, withholding, and banking information.

As stated earlier, I live in Spain and just yesterday I filed my Spanish tax return for 2012. Their system is set up so that the taxpayer may log in to the Hacienda web site (the equivalent of the IRS) and request in real time a generated tax return based on the information that has been reported by employers, social security, and the banking system. The taxpayer has the option to submit changes if necessary. After reviewing the tax return, the taxpayer then verifies the return as correct and the return is processed. My return was totally correct with regards to wages, withholding, bank accounts, and the mortgage. From start to finish, i.e. login until the moment I clicked on "Verify" it only took less than 5 minutes! That is the way to do taxes.

#### VALUE ADDED TAX

Congress should consider instituting a value added tax on all goods and services. This would provide needed revenue from everyone, not just those 50% who actually pay income taxes. The only hard part will be to determine what percentage is fair and reasonable (such as 5%)

but at the same time does not produce a drop in consumer activity. The additional revenue could be used to reduce the current income tax rates. The FairTax proposal (H.R. 25), which would eliminate income taxes altogether, sounds like a good idea but in reality would never make it through Congress. Implementing a low percentage VAT would be a step in the right direction.

Being a resident overseas I have seen the VAT go from 12% to 21% over the years. Any VAT implementation should include mandated limits to avoid the possibility of future hikes.

In conclusion, I hope the Tax Reform Working Group will take into consideration the information above.

Sincerely,

LCDR James R. Albright, USN (retired)