

April 9, 2013

The Honorable Diane Black
Chair
Tax Reform Working Group on Education and Family Benefits
Ways and Means Committee
United States House of Representatives
Washington, DC 20515

The Honorable Danny K. Davis
Vice Chair
Tax Reform Working Group on Education and Family Benefits
Ways and Means Committee
United States House of Representatives
Washington, DC 20515

RE: Tax Reform on Education and Family Benefits

Dear Representative Black and Representative Davis,

I applaud efforts by Congress to “reform” our ultra complicated, and broken tax code. However I believe that the methodology chosen, falsely bestows an innate legitimacy to the 100 year old tradition of taxing income instead of consumption. Furthermore; cordoning off eleven select components of the *income tax* code, and treating each with expectations that the recapitulation of individual component “reforms” automatically results in a truly “reformed” whole, causes one to miss the forest for the trees. No fine tuning of any individual component of an *income tax* can escape the fact that the unintended result will be an even more complicated, confiscatory, tyrannical, and divisive income tax code. I believe it is way passed time to remove the blinders and rethink methodology.

With all due respect, the question should not be “How do we improve the taxing of income?”; it should be , “What is the simplest, least invasive, and fairest way to raise revenue for the Federal government without stifling growth, upward mobility, and productivity?” The only answer before Congress is the Fairtax HR 25/ S122.

As I stated in my letter of March 29, directed to all working Groups:

The FairTax is replacement, not reform. It replaces federal income taxes including personal, estate, gift, capital gains, alternative minimum, Social Security, Medicare, self-employment, and corporate taxes. It permanently eliminates taxing income with a simple, national consumption tax on all new goods and services, paid by every person living in or visiting the United States. It has a progressive prebate to ensure no American pays federal taxes on spending for essentials up to the poverty level. It offers dollar-for-dollar federal revenue replacement, and calls for the repeal of the 16th Amendment. This nonpartisan legislation will be administered primarily by existing state sales tax authorities. The IRS is defanged, shrinks in size, and becomes a servant of the people, instead of their Master. The FairTax taxes Americans on what they choose to spend, not on what they earn. The FairTax rate for everyone after essentials is 23% and equal to the lowest current income tax bracket (15%) combined with at least one half of employee payroll taxes (7.65%), both of which will be eliminated. (Unlike most sales taxes, the Fairtax is calculated inclusively rather than exclusively, because it replaces inclusively calculated income and payroll taxes. This allows an apples to apples comparison).

I read Congresswoman Black's web site and agree with her statement, "...we should make the tax code simpler and fairer, not larger and more painful". I found it encouraging that she quoted Margaret Thatcher, "There can be no liberty unless there is economic liberty." I recently had the privilege of listening to Congressman Davis on John Noble's broadcast and sensed his profound empathy for the plight of America's poor. I agree with him 100% in that we need more jobs. I was very encouraged to hear him say that he would examine the Fairtax with an open mind. May I humbly suggest that the nonpartisan Fairtax can resolve your respective issues and is the best possible tax code for Americans.

Instead of attempting to determine how changes in benefits to education and families *within the current income tax code* can (temporarily) "reform" the tax code; I beseech you to examine how ripping the income tax code out by its roots and replacing it with the Fairtax will improve access to educational opportunities, be beneficial to families, and will revitalize America. For the general benefits of the Fairtax, please read my letter of March 29 addressed to All Working Groups. For benefits related specifically to education and families:

1. The Fairtax does not tax investments. Since education is arguably the single most beneficial investment in people, education is not taxed. Tuition and training are not taxed.
2. The Fairtax does not tax savings. Because the Fairtax will create more jobs, more Americans will be working; therefore, more Americans will be able to save for education without punishment.
3. The Fairtax does not extract FICA taxes from, or tax the income of teachers and other school personnel.
4. The Fairtax does not extract FICA taxes from, or tax the income of families, allowing them to have more income go towards education.
5. The Fairtax does not extract FICA taxes from, or tax the income of school architects, construction contractors, communications contractors, maintenance contractors, computer and software employees, school suppliers, city or county planners, or any other myriad contributors to school buildings and physical capital- thus removing the hidden taxes embedded in the current costs for education related infrastructure.
6. The Fairtax does not extract the egregiously regressive FICA taxes from, or tax the income of any American, allowing for a more "fair" tax system, for all American families, regardless of income.
7. The Fairtax does not tax gifts received for education.
8. The Fairtax "prebate" provides the incentive and means of upward mobility for low and middle income Americans. The current income tax system locks low income Americans into poverty and discourages middle income Americans from improving their circumstances.
9. The Fairtax eliminates estate taxes allowing families to inherit the family farm or business without being forced to sell the farm or business in order to pay exorbitant estate taxes.
10. The Fairtax eliminates Corporate taxes and federal income taxes on all Americans, thus encouraging companies to move jobs back to America and allowing wealthy Americans to bring their capital back to America to invest here, not abroad. (No more "Cayman Island wealth envy")

Please prayerfully consider the Fairtax when making your decisions on tax reform.

Sincerely,

Okey Spaulding

For more information please go to:

http://www.fairtax.org/site/PageServer?pagename=about_basics_thumbnail

<http://www.fairtax.org/PDF/PrebateExplained.pdf>

<http://www.fairtax.org/PDF/FairTaxIsGoodForYoungAndLowIncomeFamilies.pdf>

<http://www.fairtax.org/PDF/TheImpactOfTheFairTaxOnEducation.pdf>

<http://www.fairtax.org/PDF/TheFairTaxBenefitsSeniors.pdf>