

March 29, 2013

To All Tax Reform Working Groups Of The House Ways And Means Committee

Hon. Dave Camp, Hon. Sandy Levin, and all working groups

Dear Members of Congress,

Thank you for seeking to improve our tax code.

Nearly everyone agrees that our current tax system is too complicated, unfair, archaic, oppressive, and broken. Cries for relief emanate from exasperated citizens from every corner of America. The predominate Political response has been old school inside-the-box-thinking. Virtually all politicians announce that they are all for "tax reform", but they rarely go beyond that. Instead, they will dust off their respective political party's been-there-done-that "plan", do a little tweaking, publish it, and expect awe and wonder from their peers and the public. The traditional Republican "plan" is to lower taxes and rates. They will cite the "success" of the Reagan Tax Reform Act of 1986 as their proof. Democrats traditionally reply with the need for more revenue, especially by taxing the "rich". They seem to feel that lowering taxes only makes the rich richer at the expense of the Holy Grail of constituents, the middle "class". While there may have been some historic validity to each argument, the 21st Century demands a new paradigm in formulating a tax code. With a \$16 ½ trillion debt, China breathing down our necks and about to pass us, India ramping up, entitlements facing bankruptcy, unknown costs of the new national health care, an evaporated manufacturing base, economic crisis in Europe, 2013 is 150 years from 1986. What may have worked then, won't work now. We do not need the current tax code "reformed". We need it ripped out by its roots and replaced with a dramatically different outside-the-box plan.

With all due respect to Republicans, if the Reagan Tax Reform Act was all that good, we would not be having this discussion. It was supposed to fix the tax code, all was supposed to be well. Instead there have been 16,000 changes since it was enacted, morphing into the chaotic mess we now have. Simply lowering rates but keeping the archaic income tax code otherwise intact, was only dancing around the edges. Loopholes and credits began to rapidly reappear at an exponential rate. The egregiously regressive payroll taxes were not addressed. The problem is not the rates; the problem is the taxing of income.

With all due respect to the Democrats, setting aside the opposition's charges of moral ambiguity and mathematical challenges to excessively taxing the "rich", it only serves to generate wealth envy and overly burden small businesses which in turn causes division among Americans and artificially raises unemployment rates. The problem is not how much is taxed; the problem is the taxing of income.

I believe the only answer to solving America's tax dilemma, to foster growth, and to rebuild the American Machine without destroying the American Dream, is the simpler, "fairer", flatter, transparent, nonpartisan Fairtax HR25/ S122.

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).

Below is a brief overview of the reasons I personally support the Fairtax. There is no perfect tax code because there are no perfect humans, but I think this the best we can do. It is not a panacea, but I believe each working group should find 2 or 3 dozen reasons to aggressively support and pass the Fairtax.

43 Reasons Why I Support the Fairtax HR25/S122

1. My oldest granddaughter
2. My youngest Granddaughter
3. My Grandson
4. The founding fathers supported taxing consumption ONLY, not income. [The US Constitution Article 1, Sec 8 and The Federalist Papers 12 (Hamilton)] see also Patrick Henry, Thomas Jefferson et al]
5. It calls for the repeal of the 16th Amendment. (which got us in the mess 100 years ago by circumventing Article I, Sec 8 and *allowing, but not forcing* Congress to tax income)
6. Karl Marx said a Progressive income tax is one of the 10 pillars of establishing a Communist state. Isn't that alone, sufficient reason to end taxing income? (I'm so not into communism)
7. It restores the 1st Amendment right of free speech to churches who will no longer have to fear losing their "tax free" status
8. It restores the Fourth Amendment : " The right of the people to be secure in their persons, *houses, papers, and effects*, against unreasonable searches and seizures, shall not be violated,.."
9. It restores the self protection and due process clauses of the 5th Amendment, "*No person... shall be compelled in any criminal case to be a witness against himself, nor be deprived of life,*

liberty, or property, without due process of law; nor shall private property be taken for public use, without just compensation.”

10. The Fairtax rewards success, promotes productivity, encourages savings, and promotes upward mobility. An income tax punishes success, stifles productivity, discourages thrift, rewards sloth, and locks the poor into poverty.
11. By taxing consumption instead of income, a much broader tax base will be created. Those now avoiding payment of taxes who will pay tax under the Fairtax include:
 - a. The underground cash economy,
 - b. Super wealthy hiding their cash off shore , legally and illegally
 - c. Foreign visitors
 - d. Undocumented workers
 - e. Those who can game the system to the extent that they can *legally* deduct an amount equal to or even exceeding their tax bill so that their income tax zeros out.
12. The broader tax base will allow the Fairtax to be revenue neutral. In addition, its pro-growth factors will bring in more revenue to help pay down our National debt without raising taxes.
13. The Fairtax is intentionally bi-partisan. It's prebate is progressive and it raises more revenue which the Democrats say is what they want; without raising taxes and is very pro- business both of which are what Republicans say they want. It should have been passed months ago in order to halt or at least slow down, the divisive and caustic rhetoric in Washington.
14. The positive unintended consequences can help cool down the polarization of our country. For instance, U.S. v. Windsor has divided Americans. The plaintiff was forced under DOMA to pay a \$363,000 estate tax bill because the woman she lived with was not her husband. Under the Fairtax, there are no estate or gift taxes , and there would be no taxes to pay. No pain to Liberal Americans, no pain to Conservative Americans, and the plaintiff's \$363,000 would never have been confiscated. It's a win-win-win.
15. The income tax code is hopelessly complicated with over 70,000 pages. The Fairtax has only 132
16. No more rushing to meet the dreaded April 15 deadline
17. Zero forms for individuals, no EZ 1040, not even a flat tax post card. NOTHING
18. Zero gift taxes mean families and friends can aid each other without a tax penalty
19. Zero corporate tax will draw cash, jobs, and equity investments from offshore
20. Zero withholding of income & payroll taxes means no more interest free loans to the feds and immediately, a larger pay check to the employee even without the employer giving them a raise
21. Zero withholding of income and payroll taxes will mean workers and retirees will see all of their money in their checks with no federal deductions.
22. Zero estate taxes will allow family owned farms and businesses to be passed down tax free. Heirs will no longer be forced to sell the farm in order to pay the horrendous estate taxes
23. Zero estate taxes, Zero corporate tax, zero income taxes, zero federal payroll taxes, and the slashing of compliance costs currently embedded in goods and services, will lower the prices of those goods and services (Current embedded costs are estimated to be 22-26%)
24. Zero capital gains tax, elimination of embedded taxes, and taxing once only at point of sale, will allow Americans to know exactly what their taxes are. The transparency of no hidden taxes will

help to keep spendthrift members of Congress in line. The power will return to the people instead of special interest groups.

25. Zero capital gains tax, elimination of embedded taxes, and taxing once only at point of sale, will mean the end of double, triple, or even quadruple taxes.
26. Compliance costs (estimated to be \$265 billion in the current Byzantine system) will be slashed to a tiny fraction of current amount. Since they won't be paying an income tax, individuals, farmers, manufacturers, and wholesalers will have nothing to comply *with*. They will only be paying the consumption tax at the point of sales for any new good or service they use for non business purposes. Therefore; the number of entities filing taxes is reduced by 80% (retail outlets only) and of those, 80% are mega chains like Walmart. The lack of loopholes for the smaller pool of filings to comply with makes compliance a very simple and straight forward process.
27. Enforcement costs will be slashed to a tiny fraction of current amount .
28. It eliminates the oppressive power of divorce judges to determine which parent gets "awarded" the tax deduction for the children of the divorce.
29. It will bring better accountability and visibility to the federal tax system
30. The visibility will greatly hinder politicians and lobbyists from spending stupid
31. It will dramatically reduce the populist's class warfare (wealth envy) since all will pay the same rate, and the "rich" will pay more because they spend more. We can go back to being American citizens instead of American classes
32. I am not smart enough to know what "fair" means, but, the same rate for all, and zero loopholes equalize the playing field in stark contrast to our current system, which plays favorites and hands out deductions, credits, and loopholes like candy.
33. It eliminates the needlessly controversial Warren Buffet Effect , (which are only 400 or so people) Since taxes will be based on sales, not income from dividends and capital gains (which are double taxes)
34. More freedom since I can choose to buy used and pay no Fairtax, or buy new and pay the Fairtax
35. The prebate ensures that no American pays the Fairtax on food, gasoline, or other essentials up to the poverty level.
36. The elimination of embedded taxes will allow American made products to be more competitive with imports. This lowers our balance of trade deficit while creating jobs at home.
37. It stabilizes Social Security and Medicare because it provides that all 290 million Americans , 15 million undocumented workers, and 51 million visiting tourists fund Social Security and Medicare with their purchases. Today only 110 million workers fund these programs via deductions from their paychecks.
38. No form of savings is taxed.
39. Business decisions no longer be impeded by taking the time and money to calculate the tax affects on those decisions
40. It eliminates the AMT
41. The Fairtax benefits Seniors (I lifted the following points directly from a white paper you can find at www.fartax.org except for red italics which are mine:

- a) The FairTax ensures Social Security's soundness by funding it with a progressive, broad-based national retail sales tax, rather than the current regressive, narrow payroll tax. *(see reason #33)*
- b) The FairTax prebate zeros the retail taxation of necessities, up to poverty-level spending, for seniors. *(see reason #31)*
- c) The FairTax repeals the taxation of Social Security benefits and adjusts Social Security indexing to protect seniors. *(Currently Social Security benefits could be taxed at 50% or 85% depending upon a ludicrously complicated formula that considers all income , even from interest and tax free bonds! While only 34% of Seniors pay those taxes, the bottom line is NO SENIORS will pay taxes on SS benefits under the Fairtax and there will be no complicated formulae to calculate.)*
- d) The FairTax ends *all* record keeping and income tax filings of *any* kind for seniors, totally insulating them from the high costs and abusive tactics of tax preparers. *(or the hours of time wasted if they attempt to file their own taxes)*
- e) The FairTax does not tax used goods, giving low-income seniors choices.
- f) The FairTax reduces manufacturers', services', and retailers' costs, allowing them to lower costs to seniors. *(presumably this paper is referring to hidden embedded taxes and related costs of compliance under the current archaic system)*
- g) The FairTax delivers a tax holiday on IRAs and other tax-deferred plans.
- h) The FairTax ends gift and estate taxes, along with all of the unfairness to heirs and complex planning for those who earned the money.
- i) The FairTax allows seniors to sell their homes and pay no capital gains taxes.
- j) The FairTax generates an economic boom, which eases future budget pressure on seniors' entitlements.
- k) The FairTax lowers average remaining lifetime tax rates.
- l) The FairTax ensures your grandchildren have the same opportunity you did.
(see my reasons #1, #2, and #3)
- m) *The Fairtax restores the liberties that many Senior veterans fought and sacrificed their lives for (see reasons #6, #7, & #8)*

42. According to the S.B.A., businesses employing less than 20 people account for 89 percent of all U.S. employers and employ over 20 million. Tax regulations create the most difficulty for them, and most small businesses pay taxes via the individual income tax. The Fairtax eliminates all federal taxes and dramatically reduces compliance costs in both time and money, thus improving profits and increasing start ups.
43. It's so simple, even the previous head of IRS, Timothy Gietner can do his taxes in one simple step: Step One: Purchase a new good or service.
End of steps. That's it, you're done. No forms, no calculations, no record keeping, no hassle
Repeat Stop one as desired

For more information:

www.fairtax.org

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

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

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

http://www.fairtax.org/PDF/The_FairTax_benefits_seniors_11-7-06.pdf

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

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

http://www.fairtax.org/PDF/FairTax_on_American_manufacturing.pdf

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

Thank you,

Okey Spaulding