

Statement for the Record,
Committee on Ways & Means Hearing on Tax Reform and Consumption-Based Tax Systems
Hearing Date: June 26, 2011
Submitted by: John J. Riehecky

Chairman Camp and Members of the Committee,

I support the FairTax over our current tax code and I encourage your support for the passage of and signing into federal law H.R. 25 which calls for:

- Eliminating all federal income taxes for individuals and corporations,
- Eliminating all federal payroll withholding taxes,
- Abolishing estate and capital gains taxes, and
- Repealing the 16th Amendment

The income tax includes some 72,536 pages of tax code, regulations and IRS rulings that are so difficult to understand that the annual cost to taxpayers to comply with the tax is estimated to exceed \$431 billion annually. The income tax system taxes labor and investment making productivity and saving more difficult because of such taxes. The Corporate tax, is essentially a consumer tax, in that the only way corporations can pay it is through embedding that tax in the price of their goods. HR25 cuts out this hidden consumer tax as well as the hidden costs to comply with the tax code that corporations also embed in the price of their goods.

H.R. 25 is revenue neutral, collecting as much federal tax revenue as the current income tax code, including payroll withholding taxes.

As an added benefit an estimated **\$11 trillion** held in foreign accounts (largely for tax purposes), would be repatriated back to U.S. banks if H.R. 25 was enacted, becoming available to U.S. markets, bringing down interest rates, and otherwise promoting economic growth in the United States.

If passed and signed into law, H.R. 25 would:

- Enable workers and retirees to receive 100% of their paychecks and pension benefits,
- Replace all federal income and payroll taxes with a simple, progressive, visible, efficiently collected national retail sales tax, which would be levied on the final sale of newly produced goods and services,
- Collect federal sales tax from every retail consumer in the country, whether citizen or undocumented alien, which will enlarge the federal tax base,
- Rebate to all households each month the federal sales tax they pay on basic necessities, up to an independently determined level of spending (eg., the poverty level, as determined by the Department of Health and Human Services), which removes the burden of federal taxation on the poor and makes the H.R. 25 as progressive as the current tax code,
- Attract foreign equity investment to the United States, as well as encourage U.S. firms to locate new capital projects in the United States that might otherwise go abroad,
- American businesses are at a distinct price disadvantage with foreign competitors because of income

tax costs embedded in the price of American goods. The Fair Tax would dramatically reduce federal tax compliance costs paid by businesses, which are now embedded and hidden in retail prices,

- Bring greater accountability and visibility to federal tax collection,
- Collect the national sales tax at the retail cash register, just as 45 states already do,
- Set a federal sales tax rate that is revenue neutral, thereby raising the same amount of tax revenue as now raised by federal income taxes plus payroll withholding taxes,
- Continue Social Security and Medicare benefits as provided by law; only the means of tax collection changes,
- Eliminate all filing of individual federal tax returns,
- Eliminate the IRS and all audits of individual taxpayers; only audits of retailers would be needed, greatly reducing the cost of enforcing the federal tax code,
- Allow states the option of collecting the national retail sales tax, in return for a fee, along with their state and local sales taxes,
- Collect federal sales tax on all consumption spending on new final goods and services, whether the dollars used to finance the spending are generated legally, illegally, or in the huge "underground economy,"
- Not tax spending for education, since H.R. 25 define expenditure on education to be investment, not consumption, which will make education about half as expensive for American families as it is now.

I believe that the replacement of the income tax system by the FairTax will promote high levels of economic growth and job creation, making the United States economy a worldwide magnet for robust investment and job creation. The FairTax "untaxes" the poor and lowers middle class tax burdens while allowing every wage earner to take home paychecks without federal withholding or payroll taxes deducted

For these reasons and more, I urge you fully support the FairTax legislation, HR 25, at the July 26 hearing and beyond.

Sincerely,

John J. Riehecky