

To: House Ways and Means Committee

Feb 7th, 2013

RE: FAIRTAX HR 25 / S 13

From: Michael Alvarez 7707 Villa Nova Dr., Boca Raton, FL. 33433-1026 (561) 962-5835

Knowledgeable Sirs: Even though the current US production based taxation / steeply graduated income tax is Plank #2 of the Marx communist manifesto, there is no excuse for the congress to be loyal to it as "the devil we know".

Exclusive Consumption Based Taxation, now known as FAIRTAX, was the law of the land before the 16th amendment; it is the only tax mode supported in the Federalist Papers and direct taxation is specifically argued against as antitheses to individual liberty and always leading to tyranny.

Is it a Direct Tax or Indirect Tax ?

Let's say there is a tax, which I am responsible to pay, but for some reason, whatever the reason is, the tax goes unpaid. Whose door does the government knock on to collect the tax? If government knocks on my door, the tax is a direct tax because the government is knocking *directly on my door* to collect the tax.

Now let's say there is a tax, which I am responsible to pay, but for some reason, whatever the reason is, the tax goes unpaid. Whose door does the government knock on to collect the tax? If the government knocks on the merchant's door, the tax is an indirect tax. Even though I have the obligation to pay the tax to receive whatever it is I want to buy, the merchant is obligated to collect it so if something goes wrong, the merchant is on the hook for the tax.

Sources: US Const. Article I, Sec. 9, Cl 4. ; 15 USC 17 ; US Const. Amend 14 ;

The Federalist Papers, new English version, by Mary E Webster: #10, 12, 14, 21, 31, 39, 51, 62, 78, 79, 83

FAIRTAX

1) Under the FairTax, wage earners take home their entire paycheck. For a family of modest means, whose charitable giving is often a high percentage of their income, the FairTax represents a substantial increase in available funds. Additionally, these contributions are made with pre-tax dollars. Under the current system, the charitable deduction only offsets a portion of the taxpayers tax liability. For less affluent taxpayers, who do not itemize, the price of charitable giving decreases under the FairTax because they are able to give to their church or other charitable organization from pre-tax dollars.

2) Under the FairTax, the two out of three taxpayers who currently do not itemize deductions are not taxed on charitable contributions, and for the first time since 1986, the vast majority are actually encouraged to make charitable contributions. It should be noted that even if a taxpayer itemizes, percentage ceilings limit individual contributions to <50% of adjusted gross income, and 10% for corporations. These ceilings disappear under the FairTax!

3) Under the FairTax, illegal aliens and the underground economy are taxed, so the tax base is broadened. The expense to collect the tax drops 90%, the tax base grows, and tax evasion is thwarted.

Founders for FAIRTAX

Our US Constitution chose exclusive consumption based taxation, specifically and exclusively, as the law of the land. A man is his labor, his thoughts manifest to deed. Just as a man is not property, so too, his “ ... labor is not a commodity or an article of commerce.” **15 USC 17.**

Below are taxation excerpts from The Federalist Papers (FP), In Modern Language, edited by Mary E. Webster. *The Federalist Papers were written to and for our US citizens, to explain the legal content of the Constitution, in common words, so these citizens could Vote to ratify the Constitution - or not.*

- 10 FP 6 But the diversity in men’s abilities is an insurmountable obstacle to equality of acquisitions. **Protection of the abilities** is the government’s primary function.
- 10 FP 8 The apportionment of taxes on different types of property would seem to require the most exact impartiality. Yet there is, perhaps, no legislative act with greater opportunity and temptation for the predominant party to trample of the rules of justice.
- 10 FP 13 Pure Democracy Magnifies Violent Effect of Factionalism (*“majority” of wolves vote to eat minority of sheep*).
- 12 FP 4 From the state of the country, the people’s habits, and our own experience, raising very considerable sums by direct taxation is impractical. Tax laws have been multiplied in vain. The public expectation has been uniformly disappointed. And the States’ treasuries have remained empty.**
- 12 FP 6 Personal property is too precarious and invisible an asset to tax in any way other than by the imperceptible agency of taxes on consumption.**
- 12 FP 7 ... government would increase the rate without prejudice to trade. (*Taxing our own production makes foreign production 30% cheaper in the US and abroad*).
- 12 FP 12 As said before, because personal assets are difficult to trace (*without trampling liberty*), large tax contribution can only be achieved through consumption taxes. (*IRS spends 1/3 of taxes to collect taxes and can’t find 1/3 of taxes eligible to be collected*).**
- 14 FP et Republic Unique, Best For American People**
- 14 FP 2 The argument seems to arise from confusing a republic with a democracy, applying to a Republic, theories drawn from the nature of a democracy.**
- 21 FP 8 ... enforcing compliance with federal requisitions ... would be sufficient to eventually destroy the American Union. ... States would soon refuse to remain associated on a principle that so unequally distributes public burdens and is calculated to impoverish and oppress citizens

- 21 FP 9 Imposts, excises and, in general all duties on articles of consumption may be compared to a fluid that will, in time, find its level with the means of paying them. Each citizens contribution will be, to a degree, his own option, regulated by attention to his resources. The rich may be extravagant. The poor can be frugal.
- 21 FP 10 The advantages of taxes on articles of consumption is that their nature contains a security against excess. They prescribe their own limit. And it cannot be exceeded without defeating the end proposed, increasing governments revenues.
- 21 FP 11 Direct taxes, by their nature, have no limits to the discretion of the government. Therefore the establishment of a fixed rule, compatible with its purpose, may have fewer inconveniences than to leave that discretion unbound. *(ie, the apportionment clause US Const. Art. 1, Sec 9, Cl. 4)*
- 31 FP 2 ... mathematicians agree on the infinite divisibility of matter. *(Taxing schemes can make mathematical sense but not necessarily common sense; like half a baby, half a gun or half your labor/idea).*
- 39 FP 2 ... if the Constitution is discovered not to be of the Republican form, its advocates must abandon it, because it is no longer defensible.
- 51 FP 5 ... every individual ... must be sentinel over the public rights.
- 61 FP 15 **Changing Laws Threaten Liberty.** *(The Marxist IRS production tax changes over 400 times per year, many ex post facto; that's four times for every day the congress is in session. The tax code would take seven years to read, even if it could be understood).*
The domestic effects of a mutable policy (a law that changes every day) are even more calamitous. It poisons the blessings of liberty itself. It won't benefit the people ... if the laws are so voluminous that they cannot be read or so incoherent that they cannot be understood. Or if they are repealed or revised ... or undergo such incessant changes ... that no man ... can guess what it will be tomorrow. Law is defines to be a rule of action. But how can it be a rule that which is little known and less fixed?
- 62 FP 16 Laws Benefitting Only a Few Citizens. Every new regulation concerning commerce or revenue or affecting property value presents a new opportunity to people who watch the changes and can foresee the consequences *(PACs / NGOs)*, an opportunity created not by themselves, but by the toils and cares of the great body *(congress rubber stamp and with public apathy)* of their fellow citizens. When this happens, it may truthfully be said that the laws are made for the few, not the many. *There are over 100 known "one person" exemptions to the IRS tax code.*
- 62 FP 17 Discourages Business, Commerce. In a word, no great improvement or praiseworthy enterprise can be pursued that requires the protection or security of a steady stream of national policy. *(Production taxation adds expense to every layer of production; if you*

buy your food with food stamps you have paid the labor tax at least four times. 30% of the cost of all goods and services are the imbedded expense of taxing production).

62 FP 18 But the most deplorable effect of all is the reduced attachment and reverence that steals into the hearts of the people towards the political system that is so obviously weak No government, any more than an individual, will long be respected without possessing a certain portion or order and stability. *(The flood of corruption in the legislature begins with taxing people as cattle and breaking several constitutional laws in that process, failing to even read the tax code, and fast followed by consuming more than we produce for well over 70 years. This is the example of leadership and rule of law that America presents to the world?)*

78 FP 12 ... the courts were designed to be an intermediate body between the people and the legislature. ... courts keep the legislature within the limits assigned to their authority.

79 FP 1 Psychologically, a power over a man's subsistence amounts to a power over a man's will. *(The power to tax, is the power to destroy).*

79 FP 5 I don't believe science has found a way to measure the faculties of the mind. *(The fatal flaw in the production/labor tax, aka "Haig-Simmons model" of valuation.*

83 FP 14 ... trial by jury ... therefore must be on the mode of collection *(is this a direct production tax, or an indirect consumption tax? ie, whose door does the IRS knock on if the tax goes unpaid; merchant or citizen?)* and the conduct of the officers entrusted with the execution of the revenue laws.

Consumption based taxation was the exclusive tax mode of the United States until the poorly worded and not ratified 16th Amendment became "enforceable". If the 16th Amendment is to stand, we need to repeal US Const. Art 1, Sec. 9, Cl. 4 ; the 14th Amendment ; and 15 USC 17 , as these laws directly oppose what the 16th Amendment is construed to imply.

Production taxation contributed to the failure of the Articles of Confederation. Even so, Karl Marx adopted production based taxation as Plank #2 of his communist manifesto. History provides us his shining example of the failed idea in the financial collapse of the USSR, upon the breaking backs of the (proletariat) common citizenry. All citizens are equal, it seems, but some are more equal than others.

FAIRTAX is the most researched and proven successful alternative to the current tax mode and not just because our Founding Fathers endorsed it exclusively and without exception in the Constitution and the Federalist Papers. In 1999, Consumption based taxation, aka Fairtax, was rediscovered and re-evaluated by today's best critical thinkers from Harvard Stanford MIT Rice Yale Cornell ARGUS CATO Heritage etc, with unanimous agreement. FAIRTAX is the only tax code consistent with the principles of liberty, our Constitution, and to the benefit of our economy by restoring over \$500BB over annual savings collecting taxes and over \$700BB in benefits by returning to consumption based taxation. The benefits foremost include creating jobs, restoring a diminished manufacturing base, and repatriating capital investment but also garner the long term benefits of having over \$1.4T more economy every year and restoring citizen confidence in equanimity the rule of law. FairTax is Bipartisan.

<http://www.fairtax.org/PDF/TheFairTaxlowersthecostofUSautomobiles-110206.pdf>

http://firstallegiance.us/uploads/REPEALING_16TH_AMENDMNT.pdf

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

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

<http://www.fairtax.org/site/DocServer/TopTenReasonsWhyDemocratsShouldStronglySupporttheFairTax.pdf?docID=581>

<http://www.pafairtax.org/resrcs/inclusive-exclusive.pdf>

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

<http://www.beaconhill.org/FairTax2007/FTaxCharitableGivingBHI4-24-07.pdf>

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

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

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

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

<http://www.ilfairtax.org/undergrd.pdf>

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

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

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

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

http://www.fairtax.org/site/DocServer/Fiscal_Federalism_-_The_National_FairTax_and_the_States.pdf?docID=801

http://www.ilfairtax.org/ag_ranch.pdf

the list goes on