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The President's Advisory Panel on Federal Tax Reform
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Dear Commission Members:

Increasingly, it is becoming clear that a number of the President's Advisory Panel members are taking the Commission in the direction of France's system of double taxation through both an income tax and a VAT tax.

Further, recent testimony before the Commission such as that from the Brookings Institution's Bill Gale supporting a double tax system because it could "broaden the base and pay for entitlements" is deeply concerning.

Your Panel is a direct outgrowth of President Bush's reelection campaign promise to reform the burdensome, unwieldy and often unfair federal tax code.

It is not designed to find new ways for an over-spending/money-hungry government in Washington to pull more tax dollars out of our pockets and the economy.

This double tax system is exactly what many big-spending European countries have and it is one of the principal reasons why when comparing the most recent figures (2003) for France and Germany versus the United States, they have economic growth rates of 0.5 percent and -0.1 percent while our economy grew at 3.1 percent – or more than 6 times faster.

Their VAT tax is also one of the principal reasons why their unemployment rate is 62 percent higher than ours and why our per capita income is more than \$37,800 and theirs is a whopping \$10,200 less. That's right. Our per capita income is 37 percent higher than theirs!

Put simply, a VAT tax put on top of our income tax will transform us into another France or Germany. A 20 percent VAT would become the single largest tax increase in American history.

I urge you to cease immediately any further consideration of a French-style double tax of a VAT on top of our income tax and instead focus on moving our entire tax code in the direction of either a Flat Tax or a National Sales Tax. Both would strongly promote growth, enhance compliance, and in the case of the Sales Tax increase savings and capital formation. We don't want or need a VAT.

Sincerely,



Mr. Edward R. Drechsel