

PRESIDENT'S ADVISORY
PANEL
ON FEDERAL TAX REFORM

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Tax reform panel
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Tax reform should be sweeping. It has taken decades to get where we are now. This that I present now is an example of just how sweeping it can be. Here is a very rough draft of a tax reform proposal. It is literally off the top of my head.

Tax base. The tax base is what it takes to run the government every year plus a predetermined time that the old National debt should be paid off. For example ten years. The tax base would be all the gross expenses from all the federal government, plus one tenth of the old National debt. This amount is figured to be, say 12% of all the gross incomes from all sources including businesses and investments from the previous year. This 12% is what income sources would pay out of their gross earnings. A flat amount. There of course would be a bottom where tax payers making less than a certain amount would not have to pay taxes. Lets say for example, \$25,000 per year. This tax base would stay the same for in between years, but would be adjusted one in every fifth year to make sure the tax system stays on course. As for the super rich, the ones who benefit the most from our economy would have to pay too, but at the same percentage of their gross as we do. This would be the government's income.

Exemptions, deductions and credits. After computing your tax there would be a section on your tax work sheet that would allow an additional deduction for a charity or cause, such as as for hydrogen powered cars, or solar power conversion of your primary residence. This would be a manximum of a given percent off the designated tax rate. The deductions would be limited to say, three per year and the percent taken off can be

divided any way desired based on the allowed percent off. There would be no other deductions or tax breaks.

Tax rate. As stated before, a percent of the gross revenues of the entire country that would sustain the government plus an extra amount to pay of the National debt over a predetermined period of time.

Distribution of the tax burden. The super rich would benefit equally along with the rest of us, even though they would be paying a huge chunk of the national debt initially. As the debt is paid off, the percent of tax would begin to drop until it eventually levels off.

Treatment of charitables. With more disposable income people, motivated out of the goodness of their hearts, would give as needed, and any deductions would be covered under exemptions, deductions and credits.

Treatment of home ownership. I am assuming you mean the deduction of the interest on the mortgage. Either there wouldn't be one, or it would start out as a deduction and be phased out within a given time frame. Remember we are talking of tax reform. Taxes in this example would be reduced over time from 12% to 6 or 8%. It wouldn't be needed.

Collection methods. After computing his taxes the tax payer would send in the amount due. If he couldn't pay the government could have a built in program for monthly payments until caught up. Small businesses and Corporations would pass the tax burden on to the investors and income earners. Compliance can be guaranteed just like Social Security and payroll tax deposits are verified. An under reported income person would

get a polite letter from the IRS asking for an explanation. The tax system would then accept the answer or pursue an audit.

Treatment of businesses. Businesses would be the source the government gets data from in order to assure compliance of the rest of us. As tax codes are eliminated and simplified, book keeping and accounting would be simpler and less expensive to conform with. What the government would do from here would be a separate issue. Double checking data and cross referencing it to assure compliance would be the key to the new system's success. For social security and disability deductions, that would be disbursed internally by the government and would be paid as part of the 12% tax.

FEDERAL NEW TAX FORM.

Your name _____ Social Security number _____

Name of spouse _____
if filing jointly _____ Social Security number _____

- | | | |
|---|----------|--------------|
| 1) Gross earnings for the year | 50,000 | |
| 2) Minimum living wage deduction..... | - 25,000 | |
| 3) If zero or less, no taxes are due. Stop here..... | 25,000 | |
| 4) Multiply line one by tax % (.12) | | x .12 |
| 4) Your adjusted taxes if more than \$1.00 and rounded to the nearest \$. | | <u>6,000</u> |
| Allowances for exemptions and deductions, maximum 2% 1000. | | |
| a) _____ | 200 | |
| b) _____ | 400 | |
| c) _____ | 400 | |
| 5) Total of deductions. Subtract Line 5 from line 4..... | | <u>1000</u> |
| 6) Your taxes due.... | | <u>5000</u> |

State taxes could be done in a similar manner.