

*Submitted to*  
President's Advisory Panel  
on Federal Tax Reform

Request for Comments #2 ( April 5, 2005 - April 29, 2005 )

The Real Property Use Tax  
(RPUT)

*Submitted by* Maximus Profectus

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## Introduction – Purpose and Scope

The purpose of this paper is to highlight the major reasons tax reform is necessary, and provide a conceptual overview of a new, alternative federal tax system to replace the current federal income tax.

### I. Description of New Proposal

1-1. **Purpose of the Federal Tax System.** Is the federal tax system to be used for arbitrary seizure and redistribution of citizen assets, social engineering, and special-interest subsidy . . . or is the tax system to be a stable and objective assessment schema related to an implied level of government service and the actual cost of government? Should expenditures, aid and subsidy be extended through political manipulation of the tax system . . . or should such benefits be extended only through appropriations and integrity of the tax system maintained? *Are policy makers to more closely follow the philosophy of Karl Marx . . . or Adam Smith?*

1-2. **The Proposal** Political philosophy and economic principles were carefully examined and a new, alternative federal tax mechanism named the Real Property Use Tax (or RPUT) was developed.

1-3. **Research and Documentation.** The RPUT resulted from an extensive, privately funded research project on American taxation which culminated in the published book: *Taxation and National Destiny: A Tax Systems Analysis and Proposal*. Detailed information on the RPUT is available in that thesis. Additional information is available from the sponsoring organization, Maximus Profectus (contact info on cover page), and the Web site, <http://www.rput.com>.

1-4. **Philosophical Underpinning of the Reform.** The actual cost of government, the budget, is what should be applied against the tax base. Assessment at the individual taxpayer level should be related to an implied level of government service and the actual cost of government.

1-5. **Relationship Between Taxation and Spending.** The RPUT does *not* address the type and level of government spending, *rather it provides an objective assessment schema for that spending.* Congress is still free to extend aid or subsidy, as warranted, through direct appropriations. The cost of government, the budget—including any aid or subsidy—is then applied objectively against the tax base, under a stable and objective tax schema.

1-6. **The Tax Base.** There is a logical relationship between land, developed land, and the level of implied government service, and this is what led to development of the RPUT. Unlike the conventional property tax, *the RPUT is not based on market value* and applies to owners *and* renters (virtually the entire adult electorate). Individual assessment is based on the size, level of development, and time in use of real property [the legal term for land and buildings on it].

1-7 **Tax Rates.** The RPUT rate schema involves four basic rates, set by Congress, and related to the real property tax base and the overall budget. The four basic rates are linked to a single, master rate, and an individual tax is calculated by applying the master rate to the taxpayer's property.

1-8. **Exemptions, Deductions, Credits and Exclusions.** All owners and renters of real property are liable for their apportioned assessment under the RPUT—just like any other service or commodity in the economy—and there is NO standard deduction or exemption scheme for special interests. [*The government—in reality—never gives anything through exemptions and deductions, it merely reassigns liabilities.* To wit: the budget (government spending) is *not*

reduced when individuals are given a tax break. The real economic consequence is that *other citizens* have to pay more, perhaps much more, immediately or over time, to cover the cost of government.]

1-9. **Distribution of the Tax Burden.** The RPUT is designed to be proportional, related to the implied level of government service and the actual cost of government. Low-income citizens are *not* exempted from their assessment—however small—*through the tax code*. However, Congress is still free to accord aid and subsidy, as warranted, through direct appropriations.

1-10 **Religions and Non-Profits.** No special provision is provided any non-governmental entity under the RPUT—all are responsible for paying for the implied level of government service *they do indeed receive* as functioning, legal entities. (It is immoral and unjust to force citizens to support—either directly or through political manipulation of the tax code—other religions and other charities with which they may not agree.) Religions and charities, however, may be *fiscally much better off* under the RPUT because of the heightened prosperity of their congregants and contributors.

1-11 **Charitable Giving.** There is NO reduction of tax liability for taxpayers contributing to charities. [Since *government spending* is not reduced with a charitable deduction, *other* taxpayers would otherwise be forced to make up the budgeted difference. Increased, forced assessment of third parties is hardly “charity.” These political manipulations are excluded from the RPUT.]

1-12 **Home Ownership.** This is also excluded from the RPUT, and although home ownership may often be a prudent personal investment, renters and others should not be forced to indirectly subsidize it.

1-13. **Collection Methods** Primary assessment calculation is *the responsibility of the government*, and most taxpayers will merely return a mailed remittance for the assessment. Avoidance and evasion would be rare or unknown

1-14. **Treatment of Businesses** The RPUT is an objective assessment schema. Assessment is against the individual tax base, and NO preference or prejudice is extended toward the *type of ownership*—whether individual, sole-proprietorship, partnership, or corporation.

## II. Impact of Proposal Relative to Current System

2-1 **Simplicity**. The RPUT is not a simple tax system—rather, it is sophisticated, elegant, and designed to be *simple to operate*. The government, at budget approval time, merely issues a calculated bill for the citizen's property that he or she would pay in twelve months, or other allotted payment time, and sends the bill out in the mail. *Most homeowners and renters will just pay the bill and may never have to file any tax return, unless they have an in-year vacancy or property change, and even then the additional paperwork might be completed in minutes*. Likewise, business filings for leased and rental properties would be simple and straightforward.

2-2 **Fairness**. The systemic seizure of citizen assets, whether 100% in neo-Marxist fiat or 37% through the income tax, does not apply under the RPUT. The RPUT is based on rational economic exchange and a proportional, implied level of government service, and is linked to the actual cost of government.

2-3. **Integrity and Visibility** Any government appropriation (expenditure) for any purpose is—legally at least—in the national interest, and the cost should be applied objectively against

the tax base. The inherent integrity of the RPUT — because special-interest subsidy is precluded *through the tax* — allows precise measurement and accountability for those appropriations.

**2-4. Economic Planning for Individuals and Businesses.** A taxpayer, with the RPUT, can drill down to the line-item level to see his or her proportional cost of government. Businesses and individuals can also take *proposed* spending amounts and calculate what-if scenarios, and give feedback to their Congressman *before* appropriation bills are even debated on the House or Senate floor.

**2-5. Public Accountability and Right to Privacy.** It is impossible to reconcile public accountability and right to privacy under the income tax system. Under the RPUT, however, all assessments, filings, payments, and audits are a matter of public record. But personal income and spending information remain confidential because they are not applicable to reporting or assessment (the government does not even need that information).

**2-6. Protected in Law.** Ex Post Facto assessment and lack of due process—a bane under the income tax system—are prohibited under the RPUT. Any claims by citizen or government not otherwise resolved would be reconciled in open, civil court.

**2-7. Political Implications.** The RPUT is spending-neutral—it does *not* address the type and level of government spending. This means everyone—Republicans, Democrats, socialists and libertarians—big spenders and small spenders—can support the reform.

**2-8. Compliance and Administration Costs.** Under the RPUT, hundreds of billions of dollars otherwise lost to compliance and operating costs associated with the income tax could be applied to the production of real goods and services—including new inventions, medical cures, and advances in science and technology—increasing our wealth and security as a nation.

2-9 **Economic Growth and Competitiveness.** The RPUT is operationally efficient, and since there is also no tax—or penalty—on productivity and income, *and* no tax on sales and purchases, the economy should boom and *help push this country into a new age of prosperity, peace and stability.*

### III. Transition, Tradeoffs and Special Issues

3-1 **Transition.** A transitional outline from the current tax system to the RPUT is provided in the completed thesis (book).

3-2 **Tradeoffs.** The tradeoff is from . . . a deleterious and destructive tax mechanism based on arbitrary seizure and forced redistribution—the income tax—to a stable and objective one based on an implied level of government service and the actual cost of government—the RPUT [Please see the book, *Taxation and National Destiny*, for a detailed compilation of the huge social and economic costs of the current federal income tax.]

3-3 **Peer Review and Public Examination.** Early drafts of the RPUT thesis were provided independent reviewers, and the finished thesis, the book *Taxation and National Destiny*, was made available in 1999 to academics, independent political think tanks, policy makers, the media and—of course—the public. Public education efforts have continued since.

3-4 **Congressional Review.** The following active Congressmen have had formal presentations on the RPUT provided at their offices: Senator Dianne Feinstein (D, CA), Senator Barbara Boxer (D, CA), Representative Randy “Duke” Cunningham (R, CA), Senator Rick Santorum (R, PA), and Representative Duncan Hunter (R, CA).

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3-5. **Political Challenge.** Many academics, journalists, pundits, and commentators have been resistant to discussion and analysis of sophisticated alternative theory (the RPUT) which challenges the political status quo. Additionally, there is a huge bureaucracy—public and private—dedicated to political manipulation of the tax code. The solution to this problem is in the hands of key policy makers and senior business people who have the position and resources to move debate into the public arena and—ultimately—reform into public policy *It is time—for the good of the country—for leadership and action. // //* I very much appreciate the Advisory Panel's time and attention to this issue. Thank you and Godspeed!—IJG