

# Overall Perspective

Taxes should be fair, easy to understand, and simple to administer. Unfortunately, this is not the case with our current tax system. As noted in the introduction and throughout this proposal, our existing tax code is inadequate, inequitable, and incomprehensible. And, the main reason for this fiasco is the tax deduction.

The original purpose of the tax deduction has long been forgotten. The use of deductions to help generate revenue from businesses and individuals in a fair and impartial manner is over. The attempt to use deductions to implement just economic and social policy for the majority has given way to the narrow interest of the few. And, under the current system there is no way to stop this from happening.

The fact that we have one deduction means that another will be created. The fact that one group or individual is successful in obtaining a deduction means that others will demand the same. One deduction begets another, and another begets another, and so on and so forth. It becomes a cascading force like an avalanche going downhill. It creates its own energy force and becomes unstoppable.

To this end, millions and millions of dollars are spent on lobbying efforts trying to gain a tax deduction for one group or another. These millions foster and encourage the Congressional scandals we have seen throughout the years.<sup>1 2</sup>

A current example revolves around passage of the Tax Cuts and Job Act of 2017. Retiring Senator Bob Corker (R) Tennessee, was the sole Republican Senator to vote against the House version of the bill, publicly stating that he was against it because it would increase the federal deficit.<sup>3</sup> (The Congressional Budget Office estimated at that time that the bill would increase the deficit by at least \$1.4 trillion.<sup>4</sup>)

However, at the last moment republicans inserted a special tax break for people like Senator Corker and President Trump who have large real estate investments. This loophole allowed those eligible for the pass-through deduction to take 20% off their taxable income for tax calculation purposes. This meant that if you were subject to the highest tax rate for 2018, 37%, this rule would effectively reduce your tax rate to 29.6%.<sup>5</sup> After this provision was placed into the legislation, Senator Corker reversed his earlier position and voted for the bill allowing it to be signed into law.

This self-serving deduction highlights the necessity of eliminating deductions because of the effect they have on legislation. Overall, because of the shenanigans associated with this bill, it:

- Ignored the stagnation of working-class wages and exacerbated inequality.
- Reduced revenues at a time when the nation needed to raise more.
- Encouraged rampant tax gaming and risks undermining the integrity of tax code.<sup>6</sup>

And, in terms of the actual tax dollars saved to taxpayers, the bill:

- Saved the lowest fifth income group only \$70 in taxes.
- Saved the second lowest income group only \$390 in taxes.
- Saved the middle fifth income group only \$910 in taxes.
- Saved the fourth fifth income group only \$1,680 in taxes.
- Saved the top fifth income group \$7,460 in taxes.

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<sup>1</sup> <https://www.politico.com/story/2017/12/18/bob-corker-tax-bill-kickback-republicans-respond-302482>

<sup>2</sup> <https://www.washingtonpost.com/wp-dyn/content/linkset/2005/06/22/LI2005062200936.html>

<sup>3</sup> <https://www.politico.com/story/2017/12/18/bob-corker-tax-bill-kickback-republicans-respond-302482>

<sup>4</sup> <https://www.cbo.gov/publication/53312>

<sup>5</sup> <https://www.thecapitalideas.com/articles/2018-tax-reforms-mean-for-investors>

<sup>6</sup> <https://www.cbpp.org/federal-tax/fundamentally-flawed-2017-tax-law-largely-leaves-low-and-moderate-income-americans>

- **Saved the top 1 percent a very generous \$61,090 in taxes.**
- **Saved the top 0.1 percent a whopping \$252,300 in taxes.<sup>7</sup>**

This giant windfall for the top 1 percent, and especially those in the top 0.1 per cent, was surpassed only by the fact that, in 2018, America's 60 largest corporations paid no federal taxes at all.<sup>8</sup> And, while the wealthiest among us are now paying significantly less in taxes, the revised forecast for the total projected deficit from this bill will be \$1.9 trillion.<sup>9</sup>

Looked at from another perspective, there will be \$1.9 trillion less to fund the programs and services that benefit the rest of us. And, this upward redistribution of wealth is all due to deductions found in the tax code.

### **Lessons learned**

No one can seriously look at the tax code and tell us that Congress has not acquiesced to the lobbying efforts of the rich. As a result, the tax code is now riddled with too many loopholes that allow wealthy individuals and corporations to avoid paying their fair share. It is now time to stop this unfair use of the tax code, time to start over. And, this new beginning requires a solution that does not allow the possibility of recreating the shenanigans we see today.

This proposal begins to solve the problem by simply eliminating all tax deductions. Abolishing all deductions takes away the loopholes used by wealthy individuals and corporations to avoid paying their fair share, and eliminates the additional 70,000 pages needed to fully understand the current tax code.<sup>10</sup>

### **Total revenue generated from this proposal**

A question naturally arises, "Will this plan generate enough revenue to run the government?" The answer is yes, and more. This plan will produce a minimum of \$3.714 trillion per year.<sup>11</sup> Of this, \$2.481 trillion (66.8%) is raised through business and individual payroll taxes to specifically fund Social Security, National Health Care, and Public Education. The balance, \$1.233 trillion (33.2%), is generated from non-income-based taxes and is used to fund all other government obligations. It is important to point out that in 2012, our government collected \$2.450 trillion<sup>12</sup> but spent \$3.537 trillion,<sup>13</sup> creating a deficit of \$1.087 trillion.<sup>14</sup> However, had this proposal been in effect at that time, it would have produced a surplus of \$179 billion. And, the \$3.714 trillion cited above is a very conservative estimate based on economic activity in 2012. When this plan is enacted into law, economic activity will increase and government revenue will rise even more because this proposal is really an economic growth stimulus package. For example:

### **Business Taxes**

**Section 1.a and 1.b.** reduce overall business taxes. Corporations will now have more revenue for research and development, upgrading their facilities, and to provide wage increases for their workers. This will make businesses stronger and more competitive.

<sup>7</sup> <https://www.cbpp.org/new-tax-law-delivers-large-tax-cuts-to-most-well-off-1>

<sup>8</sup> <http://fortune.com/2019/04/11/amazon-starbucks-corporate-tax-avoidance/>

<sup>9</sup> <https://www.cbo.gov/publication/53787>

<sup>10</sup> <https://taxfoundation.org/how-many-words-are-tax-code/>

<sup>11</sup> See Appendix F

<sup>12</sup> [http://usgovernmentrevenue.com/yearrev2012\\_0.html](http://usgovernmentrevenue.com/yearrev2012_0.html)

<sup>13</sup> [http://www.usgovernmentspending.com/federal\\_budget\\_detail\\_2015bs22012n](http://www.usgovernmentspending.com/federal_budget_detail_2015bs22012n)

<sup>14</sup> [http://www.usgovernmentrevenue.com/yearrev2012\\_0.html](http://www.usgovernmentrevenue.com/yearrev2012_0.html)

## **Special Taxes on Imports**

**Section 1.c.** places special taxes on imported goods manufactured under abusive working conditions and paying unfair wages. Since these taxes will increase production costs, American manufactures will be discouraged from moving their factories to foreign countries. This has enormous implications for our economy, not the least of which is to restore our manufacturing base for commercial and military products.

## **Public Education**

**Section 2.a.iv and Section 8** will, for the first time, fully fund public education from pre-school through grade 12, and allow all academically qualified students the opportunity to attend public colleges or public vocational schools free of charge. The return on investment in pre-school alone is at least \$8.00 for each dollar spent,<sup>15</sup> and removing poverty as an impediment to higher education or vocational school will supply our society with the educated and skilled work force needed to compete in the 21<sup>st</sup> century economy.

## **Gasoline Tax**

**Section 7.a.** increases the federal tax on gasoline by \$0.316 per gallon. This automatically increases the budget for the construction and maintenance of our interstate highway system while funding mass transit projects. It also funds the construction of the new grid that will power our energy needs using renewable, non-polluting energy sources and technologies. It requires major components of these technologies such as solar panels, wind turbines, and high-speed trains and their engines be manufactured here, in the United States. This will produce tens of thousands of high paying jobs and will help lead the expansion of our economic base.

## **Science, Technology, and Medicine**

**Section 8.h.i.** funds research and development proposals for science, technology, and medicine. The result from funding these proposals will lead to many important breakthroughs that will help America maintain and regain our leadership position in many important areas. These breakthroughs will generate enough economic productivity to pay back all government expenditures for this program and all the other programs proposed in this plan.

## **Infrastructure**

**Section 8.h.iii.** provides extra funding for the repair, maintenance, and expansion of our deteriorating infra-structure, deteriorating sewage systems, and light rail and mass transit projects. When combined with the funding increase found in **Section 7.a.**, and the revenue from the Department of Transportation's annual budget, the money necessary to accomplish these goals has been met. The return on investment from this massive undertaking will produce an economic expansion similar to the one that occurred during and after the building of our inter-state highway system in the 1950's.

When all the above factors are taken into account, the tax revenue generated from this plan will greatly exceed the \$3.714 trillion figure sited earlier, and lead us to sustained economic growth.

## **Defense spending**

As mentioned earlier, this proposal generates \$3,714 billion in annual revenue of which \$2,481 billion is generated from income-based payroll taxes to fund Social Security, National Health Care, and Public Education, and, \$1,233 billion is generated from non-income-based taxes (VAT, gasoline, estate, transaction) and placed into the general fund to finance the rest of the government.

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<sup>15</sup> <http://www.ncsl.org/research/human-services/new-research-early-education-as-economic-investme.aspx>

Since 30% of the non-income-based revenue is sent back to the States (Section 8, \$370 billion), only \$863.1 billion will remain in the general fund. And, since the 2012 budget allocated \$849.6 billion for defense spending,<sup>16</sup> only \$13.5 billion would be left after that to fund the rest of the government.

However, this proposal limits defense spending to two times the combined amount that Russian and China spend on their defenses. This comes to \$513.6 billion, and subtracting \$513.6 billion from the \$863.1 billion leaves \$349.5 billion in the general fund to finance the rest of the government. Nevertheless, the question still remains, “How much money should we spend on our nation’s security?” This proposal’s solution is explained in Section 9.

### **Overall effects from this proposal**

It is important to examine the overall effect this plan will have on our society. Because this proposal generates \$1.26 trillion more revenue than our current system, frees up billions of dollars by reducing unnecessary defense spending,<sup>17</sup> reprioritizes our spending policies, and pre-pays programs and services through payroll taxes, we can now:

- Provide everyone with National Health Care.
- Fully fund public education from pre-school through grade 12.
- Allow all academically qualified students the opportunity to attend public colleges or public vocational schools free of charge.
- Increase Social Security benefits upon retirement.
- Rebuild our deteriorating infrastructure.
- Create new industries and 21<sup>st</sup> century jobs.
- Retrain unemployed and displaced workers.

This proposal, if implemented, will grow the economy out of our current debt-ridden crisis by creating millions of good paying jobs. It will equalize opportunities for all Americans. It will elevate the poor to middle-class status while slowing down and reversing the growing number of middle-class people who are slipping into lower-class status. The combination of increasing the number of highly educated, affluent middle-class people while decreasing the number of poorly educated, unskilled working-class people are two of the most important factors necessary to stabilize and protect our democracy. This plan accomplishes both goals and does so while lowering taxes.

Unfortunately, fierce opposition to these reforms, especially the reform that eliminates all tax deductions, will be led by the very people and corporations who now benefit the most from the inequities imbedded within the current tax system. They will begin by bombarding the airwaves with misinformation about the effects this plan will have. They will have their spokespeople label this plan as socialist, communist, and fascist, and make up imaginary doomsday scenarios to confuse the public and make them fearful about the changes that will occur. And, most insidious of all, they will exert their enormous influence on the Congressmen and Senators they helped elect to block all attempts at any tax reform that would require them to pay their fair share.

It will then be up to us, the public, to insist that our collective voices be heard as one voice, demanding that our tax code be reformed so that everyone pays their fair share. In the event your

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<sup>16</sup> [http://www.governmentspending.com/federal\\_budget\\_detail\\_2015bs22012n](http://www.governmentspending.com/federal_budget_detail_2015bs22012n)

<sup>17</sup> The United States is projected to spend \$495.6 billion on defense in 2015.<sup>a</sup> This is four times more than China, eight times more than Russia, and more than the next nine countries combined. Therefore, we can easily reduce our military budget by an additional 15%, to \$421.12 billion, without compromising our national security. This will save \$74 billion per year (\$740 billion over 10 years), and even though Russia is planning on increasing their military budget from \$78 billion to \$98 billion over the next three years, we will still be outspending them by over 400% per year.

<sup>a</sup> <http://www.whitehouse.gov/sites/default/files/omb/budget/fy2015/assets/defense.pdf>

<sup>b</sup> [http://www.slate.com/blogs/business\\_insider/2014/02/26/chart\\_u\\_s\\_defense\\_spending\\_vs\\_other\\_countries.html](http://www.slate.com/blogs/business_insider/2014/02/26/chart_u_s_defense_spending_vs_other_countries.html)

<sup>c</sup> <http://rt.com/business/russia-increases-military-spending-702>

elected officials refuse to advocate for the reforms set forth in this proposal, it is my hope that you will find candidates who will.

Our country needs tax reform and needs it now. From a structural point of view, the reforms outlined in this proposal eliminate up front the problems associated with our current tax system. If adopted, compliance and revenue will go up while fraud will go down. The middle-class will increase in numbers and the economy will prosper. It accomplishes all this through simple concepts that are easy to understand and fair to all. Ultimately, this will guarantee acceptance because simplicity, wrapped in fairness, eventually reigns supreme.