

PRESIDENT'S ADVISORY
PANEL
ON FEDERAL TAX REFORM

2005 APR 27 A 11: 18



616 McMagan Drive
Pasadena, MD 21122-5111
May 16, 2005

The President's Advisory Panel on Federal Tax Reform
1440 New York Avenue NW
Suite 2100
Washington DC 20220

Dear Advisory Panel:

What Should Be Done

If I remember American History as taught to me a half-century ago, the United States is not a democracy, but a republic; it is a Union of the Several Sovereign States established for the various purposes enumerated in the Declaration of Independence and in its Constitution.

As such, it should **not** be taxing directly the citizens of those separate Sovereign States any more so than the United Nations should not be taxing directly the citizens of its member nations. The Government of the Union of the Several Sovereign States should assess the member Sovereign States for the cost of its operations!

Not only would this eliminate the waste and "make-work" associated with the enormous, complex and discriminatory Internal Revenue Code, but it would eliminate the need for the Internal Revenue Service, and provide a balanced budget.

At today's spending appetite of the Congress (Please see Article I, Section 8 of the U.S. Constitution for assignment of this responsibility), the member Sovereign States would be assessed ~\$5.4 Billion for each Congressional District, and the responsibility for raising this money would fall upon the Governments of the fifty member Sovereign States.

Upon receiving such an assessment, perhaps . . . just perhaps . . . , the Governments of the Sovereign States would exercise their responsibilities of providing direction to their Representatives to the Union of the Several Sovereign States, to control the wasteful spending of the (federal) Government of the Union, or have their Representatives face recall by the state Governments

Thus, we achieve a balanced budget, elimination of waste of time and tax dollars, and instill accountability of members of Congress to the State Governments whom they supposedly represent.

Each Sovereign State will have to figure out how to raise the money to pay their fair-share assessment, which will undoubtedly result in fifty different taxation designs. Ah . . . Diversity! What could be more politically correct?

Immediate Interim Step

Since I expect the above proposed solution to be greeted with the same degree of enthusiasm by the members of Congress as I greet their (irresponsible) annual deficit spending, let me address our current discriminatory tax code.

I can find no provision in the U.S. Constitution directing or authorizing use of the tax code for social engineering or for the socialistic redistribution of wealth. In fact, Congress is granted the power "To lay and collect taxes, duties, imposts and excises, to pay the debts and provide for the common defence and general welfare of the United States; but all duties, imposts and excises **shall be uniform throughout the United States.**" (ibid.).

Clearly, there is very little that is uniform in our current IRC, which discriminates against the unmarried, formerly married or dysfunctionally married; the most economically productive among us; or those in numerous other situations. All citizens should share, **uniformly**, in paying the costs incurred by the Congress for our bloated Government. With all the problems faced by our society and all levels of government being directly caused by or exacerbated by overpopulation (which gets worse every day), it is counter-productive to our collective quality-of-life that our government rewards the procreators who exacerbate this problem, through the EITC, Child Credits and dependant exemptions! Etcetera, etcetera, etcetera . . .

For as long as we have an Income Tax, tax all income, **uniformly!** No exemptions; no adjustments; no deductions; no credits! A tax rate of ~10.5% on **all** income will be revenue-neutral. Add surtaxes of 1% each for: (1) repaying the Trust Funds for the misappropriated expenditures which have been replaced with unfunded IOU's, (2) repaying the national debt (equivalent to more than \$25,000. for every man,

woman and child in the country), and (3) conducting the War on Terror, for as long as needed. A net flat rate of 13.5% is simple, fair, palatable and Constitutional.

After all, stealing from the future to give to the past is not what America should be all about!

Tax Code Horror Stories

I have been a paid income tax professional for the past 24 years. I become more and more disenchanted with our elected officials who wrote the tax code, every year. I consider a major objective of my work is to keep my clients from being ripped off by the internal interactions and convolutions and other totally unnecessary complexities of the tax code, which code clearly could not have been written in a single sitting by a sane person.

Three brief examples:

(1) Several years ago I was just finishing a return for a retiree when he called to say he forgot to tell me he also took a \$2,000 distribution out of his IRA. He was in the 15% tax bracket. The extra \$2,000 of income increased his tax liability by \$960! That cranks out to 48% the way I learned math!!

(2) Three years ago one of my married clients died. His widow not only lost him, but his (taxable) Social Security income as well. She, mistakenly, thought her tax liability would go down with the decrease in income. I had to explain to her why her tax liability actually increased! So much for the phantom "marriage penalty"!

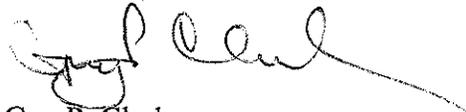
(3) Client C deducted State Income Tax Withheld on Schedule A, and claimed the State refund as income the following year, as a matter of routine. I amended 2001-3 to not deduct the State Income taxes withheld, at a tax increase of \$172 on the 2001 return. However, this resulted in tax refund increases of \$1000 from IRS and over \$400 from the State, on 2002-4.

There are others, to be sure.

The inability of the IRS to have forms available before the "tax season" is not helpful to those of us in the tax preparation community. This problem deteriorated markedly and continuously during Commissioner Rossetti's tenure, and has been blamed by his staff on hearings in Congress! A year ago the IRS Tax Products (Forms) CD-ROM was not delivered until April 1 (2 weeks before the end of tax season); this year the Sub-S Corporate Tax Package arrived just 3 weeks before those returns were due to be filed. We can't save all of our work until April 15th!

Thank you for the opportunity to address you. Good luck, and be bold in your recommendations In regard to the tax code, K I S S

Sincerely,



Guy P. Clark