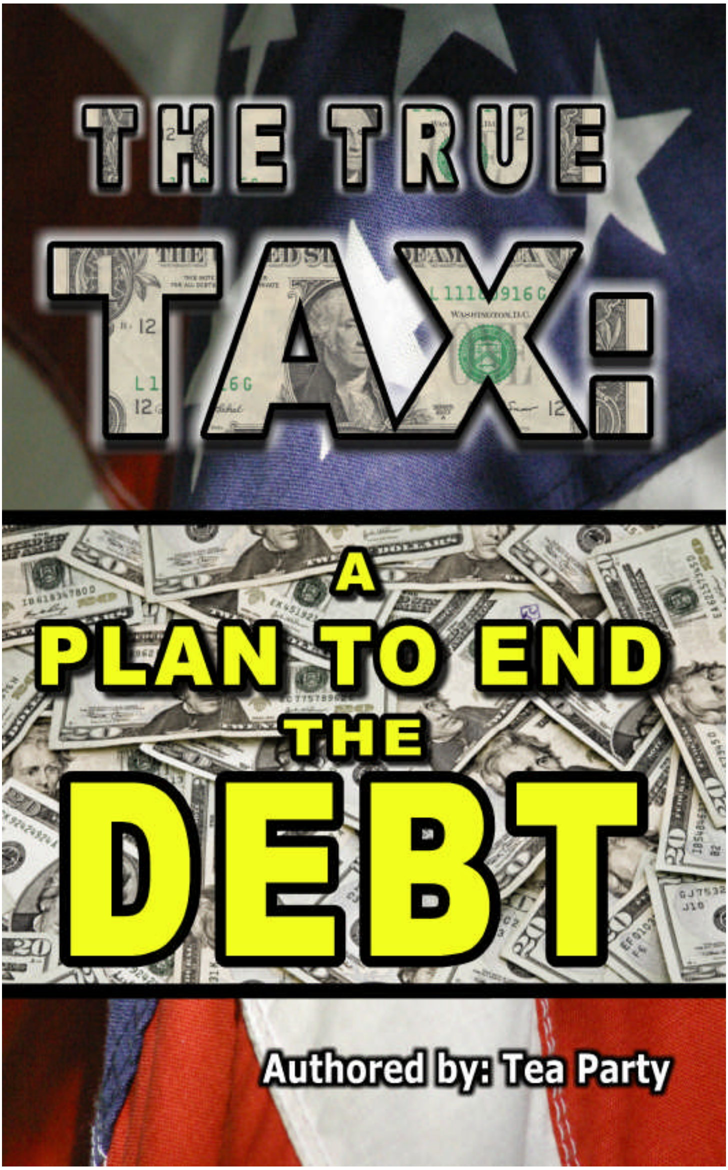
THE TRUE
TAX:
A
PLAN TO END
THE
DEBT
Authored by: Tea Party

THE TRUE TAX

A PLAN TO
END THE DEBT

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Authored by the Tea Party

"Government, the people said, is not our master it is our servant. Its only power that which we the people allow it to have." – Ronald Reagan

"I believe there are more instance of the abridgement of the freedom of the people by gradual and silent encroachment of those in power than by violent and sudden usurpations." – James Madison

"We the people developed government to preserve Freedom as an instrument wielding truth and justice. Therefore, We the People must be leery of despots or special interest that would wield these instruments for tyranny and oppression." – Tea Party

"…that the creation of debt should always be accompanied with the means of extinguishment." – Alexander Hamilton

"No generation has a right to bind the succeeding generation with vast public debts." - Thomas Jefferson

"The wealth of a nation belongs to all the people not to its government." – Tea Party

The True Tax will Restore America by:

- **Streamline/downsize Government**
- **Eliminate the Debt**
- **Eliminate the Personal Income Tax**
- **Create Jobs and Restore Americans**

Foreword

America, wake up! And soon! Otherwise, we are doomed in our battle to sustain the American dream. There are enemies within and they are on the attack. They are attacking our morals, our vision of the quality of life, and our time-honored love of life, liberty and the pursuit of happiness. And one of the weapons they are using and have been using for almost a century is that insidious, yet supposedly necessary fixture, the graduated income tax.

In the sixty-five years since World War II, the graduated income tax has become the master plank in the platform of the Liberals, Socialists and Progressives, who desperately desire the transformation of America into George Orwell's world of *1984*. This insidious worm is now so imbedded in American consciousness, that almost no one even imagines they could ever get a paycheck without that inevitable Federal "withholding tax" deduction on it.

The graduated income tax is a perfect tool for Socialism in all its disguised forms. As a tool for re-distribution of wealth from the citizens to the State, along with an estate (death) tax, it reduces initiative and restricts savings. Worst of all, personal and financial privacy, a basic tenet of freedom, is also restricted almost to the point of invisibility.

We have endeavored to lay out a tax plan that will once again set us back on the right course to follow the American dream; a tax plan that will broaden the tax base, lower the rate of tax and put the tax on a pay-as-you-spend basis, rather than the horrible mess we have today. The True Tax is a tax for the twenty-first century, not a carryover from the late nineteenth or twentieth century. It is a tax easily understood and best of all, it is not collected by force and there are no returns to file. We give special thanks to the Founding Fathers and present day supporters and members of the Tea Party who desire to Restore America!

Signed,

The Tea Party

Introduction

We want you to understand early on about our True Tax plan, that it is NOT a political position we are taking with this system. In fact, quite the opposite, as we are convinced both the Republican AND Democrat parties have failed the American people by administering the necessity of taxation of its citizens to the point of absolute imbalance, corruption and misuse. From the beginning of this movement, our principles have been Non-partisan, Constitutional Conservative Government (Streamlined) and Free Enterprise. The following system addresses the long-overdue need for unequivocal equality to every American taxpayer, <u>regardless</u> of race, social class, or Political affiliation even to include all the grassroots 'tea party' movements. This system will benefit each and every one of us INDIVIDUALLY, and should be given some serious thought, prayer and consideration before dismissal of it for the 'status quo', or some other taxation idea.

Here we are in the supposedly enlightened twenty-first century and we are under another cloud of dread. We are now besieged by an international terrorist threat that is raising its head after many centuries of relative calm. We thought Ronald Reagan ended the Cold War almost thirty years ago with a great victory over the Communist threat and that put the end to that. Wrong!

The Communists only pulled in their horns and decided to lie low for awhile. After all, they hadn't actually lost the war, only a few skirmishes. They still had two time bombs welded into our free society, which they knew would eventually bring us down; the graduated income tax and the death tax, commonly known as the estate tax. Those two time bombs are certain to explode within the next few years, unless we act.

You might think these are the yammerings of some old right-wing reactionaries, but all you have to do is go to the internet or the library and read the Communist Manifesto, written by Karl Marx in 1848. It will be a chilling, grim reminder that the Communists are not gone, they have 'cloaked' themselves and are operating freely under a maze of names, such as Socialists, Progressives, Liberals, different "Labor" headings, Liberal Democrats and even some so-called Republicans. Actually, a Communist under any other name is still a Communist. And, just as deadly to our way of life.

On the websites of many presidential-hopefuls, you can find glowing descriptions of a Flat Tax plan or a number of other systems, which would supposedly liberate us from the graduated income tax horror we are now living under (one that is getting worse each year). There is also a plan around that is tabbed the "Fair Tax" plan, which is an almost silly plan that would consist of a 23% retail sales tax with all kinds of rebates, exemptions, deductions and other complications. At least the Flat Tax would put all tax returns on a postcard sized return form.

It sounds strange that all these "plans" were supposedly crafted by tax-wise panels of level-headed professionals, who could see the mistakes that had been made in the past with our graduated income tax, and who would plan more carefully for the future. Not so. The panels must not have had any long-practicing CPAs around. Anyone in the accounting profession could spot, in a heartbeat, many of the flaws in both the plans mentioned above.

The base requirements of a suitable tax plan is that it be broad-based and with as low a rate as possible. It should also be simple to understand and easy to collect. Neither of the plans mentioned have either of these attributes. Let's look at them for a moment. The Flat Tax plan still depends on the definition of "income" and any CPA will tell you in an instant that income cannot be defined and placed on a postcard sized form without a gigantic IRS-type collection agency. Every postcard return would have to be audited. The postcard filing would be absolutely impossible to understand or control. Tax evasion would be far worse than today and it would never 'fly', once the debate really got started.

The Fair Tax plan is patently absurd. The backers of this plan were even introduced to the House of Representatives by Speaker Hastert a few years ago. They claim to have the backing of some 30,000 supporters (which is doubtful), but no one in his right mind could actually believe that American taxpayers would tolerate paying a 23% Federal retail sales tax. Would you? What a mess of inflation we would have with that!

Neither of the plans deals with the problem of corporate and other business taxation. Shouldn't they? Certainly! A retail sales tax only covers a very, very small piece of the taxable base and puts almost all its pressure on the middle class working man. It's a very regressive tax plan. The Flat tax is too complicated by still using income as a basis. All we would be doing would be to complicate and make the despicable U.S. Tax Code even worse than it is. It would be the ultimate blow to our already down-trodden taxpayers.

In any of the other tax plans being proposed, no one has even mentioned a huge problem that would exist, that being the chaos any of their plans would cause to the individual states. Not all of the states have an income tax, but most of them have a sales tax. Also, many of the states have added other little assessments and offsetting credits to their income tax regulations using Federal guidelines and any change in the basic Federal Tax Code could be a disaster to them. No one seems to have addressed this problem.

In this book we introduce a new plan, the True Tax plan (**T**ransactional Tax to **R**estore America, applied **U**niversally and **E**qually to everyone). This plan is the result of merging the best points of the UTT (Universal Transaction Tax) and the APT (Advanced Payment Tax) plans. These plans were the only ones proposed that were true consumption tax systems and even though a consumption tax has been favored by many economists through the years, no palatable plans have ever been offered. This book endeavors to outline a simple, transparent solution that is palatable, and maybe even divinely guided.

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Chapter 1

It's Time to Kill the Graduated Income Tax

Our tax system is broken beyond repair. We are faced with a National Debt of more than 14 trillion dollars and with deficits of over 150 trillion dollars per year for at least the next ten years. What have these political gangsters done to us?

The "graduated income tax" has deteriorated into such a mind-boggling mess it is ridiculous. How did we get into such a situation? If we don't extricate ourselves, and very soon, we face the loss of our birthright of freedom.

The graduated income tax is a tax of definition, made to order for the 'taxing' politicians and bureaucrats. Income can be one thing to one person or group and quite a different thing to another group. We have added a great number of words and phrases to normal use; things like "adjusted gross income", "capital gains", "capital losses", and "depletion". The Tax Code is approaching seventy-thousand pages of small type and grows at a faster pace each year. We truly reached very close to the bottom of the barrel when Congress came up with the "Alternative Minimum Tax". At the same time, we have tax cuts that pop up in some other area as decreases in a prior tax credit. Really, don't you just love the clarity and transparency of this system?

Nothing is new in the statements above. Writers have written substantially the same things for years. Interest in any different base of taxation grows yearly around April 15 as editors have to at least put something in their publications which the taxpayers will read. However, on April 16, it seems to all be forgotten and taxpayers keep on paying mindlessly. When will it stop?

Willie Sutton, the bank robber, once said when asked why he kept robbing banks, “Well, that’s where the money is.” In any taxing system the same theory can be applied. Bernie Madoff justified his own Ponzi scheme equating his action with that of the Federal Government and the Social Security System. It does not require much investigation to discover that many programs have had their coffers raided by the Federal Government to favor special interests and expansion of government (Highway Trust Funds, Medicare, Social Security, U.S. Post Office, etc). What do we get from these charlatans? We get another manufactured imposter, owned by special interests (foreign and domestic), all the while accelerating their agenda and burdening future generations, eroding the opportunities and chances for our children to realize the American dream of Freedom. We believe that over the past sixty-or-so years, our taxing system has deteriorated to the extent that we are taxing the wrong area, i.e. income. Why not "go where the money is?" And that heads us in the direction of the fairest and yet most liberal of all taxes, a consumption tax of the most basic sort, a tax on cash flow.

In its early days, it is remembered there was a feeling the income tax system was fair, but only 10% earned enough to have to pay. Then during World War II, it was considered done for a good cause and the majority of people now had to pay the tax to pay for the war. People worried about filing on time, keeping current on their taxes and were somewhat proud of being able to pay taxes in a free economy and enjoy the protection of the Bill of Rights and the Constitution.

Over the long period of years, many of these protective devices have been eroded by one pressure group or the other, each trying to worm its way into just a tiny bit more, shouting "foul, inequality, or fair play", all being done to gain an advantage over others. Sadly, true American Patriots have blindly marched behind the Pied Pipers with the most intriguing messages or songs, and as a result, our complacency has allowed all parties the opportunity to squander the resources of this nation for personal gain. Even today, the political parties are refusing to streamline government, so they can garner more votes to remain in office. The True Tax may be the last and only chance to restore America, fulfill the vision of American exceptionality, and apply the foundation laid by our Founding Fathers.

Until about twenty years ago, we didn't know anyone who wasn't filing income tax returns on a regular basis and it was real news, when the IRS picked up someone for failure to file returns for several years. People seemed sure that the system was fair. Then the government started using the income tax system for 'social control' and we saw the age of pressure groups begin in earnest. We had tax incentives to "spur the economy", "promote savings", "protect minorities", "put the crooks out of business" and God only knows what else floated through the Regulations unnoticed as elected leaders passed Bill after Bill.

Today, corruption runs rampant in our tax system. Veteran legislators seem to ignore the very tax regulations they impose upon the rest of us. For example, the seemingly unrepentant ex-head of the House Ways and Means Committee, Charlie Rangel, ignored the obviously taxable income from an apartment house he owned in a Central American country. He helped write the very tax laws he ignored. Also, Look at Tim Geithner, who pocketed money that was given to him from the Federal Reserve to pay his taxes. The list goes on and on. What arrogance! And, its time for this to end, beginning with the institution of the True Tax.

We Americans have been sold a bill of goods of the “Me Mentality” and seem to be more concerned these days about our own agendas, instead of upholding the rule of law and the Constitution. We must stand united and demand the laws be followed by the politicians the same as the citizens must. Our authority resides with the Declaration of Independence and We the People, are the sovereign, not the Federal government.

Chapter 2

Tax Collection is Inadequate

It is doubtful that anyone actually knows how many hundreds of millions of dollars is owed the government in back income taxes. It is such a large sum the average person can hardly believe it. Often-seen estimates run from hundreds of millions to even hundreds of billions of dollars. This is what is <u>owed</u> according to filed returns or other determinations. This doesn't include the great unknown figure of taxable income not reported in the first place. That figure would be even more mind-boggling!

It sounds like such a small thing when the siding contractor, or the roofing contractor, or the lawn service asks for cash because they need it for some particular purpose. No one thinks much of this and they pay cash with no withholding deducted for income tax. Much of the time these cash payments never find their way into the official receipts shown on the tax return of the business at year's end, and with that, the tax system just lost a few more dollars. This practice was supposedly stopped, or at least stymied, when the IRS started the Form 1099 reporting system. It wasn't, and only got worse. Individuals are not required to report on 1099s and a healthy discount will encourage the homeowner, or other individual, to hire the contractor or handyman in a flash with cash. This practice is not restricted to homeowners, actually. It is a very pervasive practice in almost all of our society; government entities hire contractors, who hire subcontractors (1099 income) who hire the workers. This method provides a mechanism to pay workers 'under the table', including undocumented workers (illegal aliens). It also promotes the human trafficking trade and may be one reason for not securing our borders. Just drive by any municipal work project and check for yourself. Sadly, almost no area is exempt, especially in service businesses, where many millions of Americans and undocumented illegal immigrants work under the table, and it is all legal from the government entity's standpoint. It is a big secret the government entities do not want Joe Public to know.

Then there is the problem of the outright tax dodger who just doesn't file returns at all. Occasionally, the IRS makes an example of someone who is especially bad, but literally thousands of people get a mere slap on the wrist if they get caught, pay some negligence penalty amount, and go right back to their old ways. We know of several cases which occurred in just this way, and to our knowledge the culprits are still not paying Federal taxes.

The collection division of the IRS really has a terribly difficult assignment. Millions and millions of dollars are just right there for the collecting, but much of these are such small dollar amounts that the cost of collection is more than the balance due. The computer has eased this problem considerably by a formal IRS demand letter. Through the computer, the letter is composed, written and sent by registered mail, frightening most people enough that they will hastily send in the amount demanded; sometimes knowing it is not correct. Most people do not want the IRS looking over their shoulder, so they will pay tax and penalties up to a few hundred dollars rather than face a real, live IRS auditor or collector.

Many of the amounts owed the government are forgiven merely because the IRS doesn't have the staff or resources required to collect the back taxes. An article in the Washington Post in March 2004 revealed the government had forgiven more than 2.2 million tax accounts totaling some 16.5 billion dollars. This was blamed on having a short staff and a restricted operating budget (notice the subliminal suggestion to expand the size of a government program; it sounds so innocent and necessary). Many other such stories have occurred since then, and almost every year the government admits to abandoning millions of dollars in uncollectible accounts.

It is reported that over 51% of Americans do not pay taxes. It is clear to understand why perpetrators of crime avoid filing; however they represent only a small portion of this 51%. We believe most of these people have suffered a catastrophic event which they use as an 'excuse' not to file a tax return, such as divorce, natural disasters, robbery, economic downturns, becoming jobless, homeless, or countless other examples, all of which make up the majority of this number. It is easy to champion actions by the IRS to catch the criminal elements, however, our system of Tax collections is detached and uncaring, treating citizens only as a number, who must be hounded by an ever growing government and complicated tax system. Recently, a man's home was swarmed by an IRS SWAT team which had tailed and harassed him. Eventually, they broke down the man's door with guns drawn. Not surprisingly, this man's young children were traumatized by the assault. Luckily the man wasn't gunned down. What has gone wrong when our government violates our privacy and intimidates its citizens? The IRS is relentless and even many filers languish in fear of this callous system, which has the undisputed power to wipe out all their assets, take their homes and remove all assets from all their bank accounts and more. No wonder even honest people are driven into the black market labor force (slave labor) by their disgust for these tactics.

In recent times, nation-wide firms spend millions on TV commercials, telling taxpayers that owe more than $10,000 in back taxes they can cut that figure down to a pittance, so the taxpayer can walk away for very little. They don't tell you in the commercial what they will charge for the service. It is usually a percentage of the total amount and is likely to be more than the taxpayer expects.

Notice the myriad of these Tax Specialists offering solutions to deal with the IRS. It is not hard to find a myriad of their previous clients, claiming these services as a scam. Most are sub-contracted agents (there's that 1099 again) from the IRS. These agents reportedly receive a finder's fee by presenting a slick infomercial toward victimized people, who are overwhelmed with the complex requirements after suffering catastrophic events. The victims languish for years worrying about when the "Tax man cometh." The IRS does not care why taxes weren't paid, and will begin the strong arm tactic of invasion of privacy and threat of imprisonment. After all, it might be quicker and simpler (and less expensive) to just pay the erroneous bill, than to make waves by hiring a tax lawyer or CPA to fight the case. You might lose and have to pay your hired experts <u>and</u> the IRS. It is downright extortion by another arm of an every growing Federal government. Can you say tyranny?

One of the biggest problems found in the graduated income tax is the social control built into the system. This was undoubtedly foreseen by Marx and has fostered a multitude of pressure groups, lobbyists and media outlets.

We have often wondered why ACLU activist lawyers haven't attacked the IRS on the grounds of invasion of privacy and economic discrimination. We have seen many of their attacks on frivolous matters far less important in our way of thinking.

Compare all these problems with a low 1% transaction tax, collected by businesses just like a sales tax is collected in states which have a sales tax. This True Tax has no returns to file, no deductions, no exemptions, is easy to understand, is fair to all and eliminates invasion of privacy.

Chapter 3

The True Tax

The True Tax is a consumption tax that is reasonable and simple for all taxpayers, a one percent (1%) tax on the gross amount of all commercial transactions made----no deductions, no exemptions, no massive regulatory definitive process, no army of auditors and collectors. This tax would affect every individual, every corporation, and every organization in the country. It would also affect foreign entities if they effected transactions in this country. Charitable entities would not be exempt. The tax would apply on all sales, wholesale and retail. Mere transfers of financial instruments would not be affected, however.

This all sounds good and extremely desirable and has been dreamed of before, but an army of government agents and media outlets would attempt to discredit it to prevent transforming our government back to a Constitutional Republic. Immediately, the machine would most predictably conjure up a 'message' to convince most people to discard this tax plan as being uncollectible and extremely cumbersome, considering all the returns to be filed. The truth is, the True Tax has no returns to file, and is so simple that it would seem unbelievable at first glance. While promoting real change may make us skeptical, if we look a bit closer at the mechanics required for the True Tax, it becomes glaringly clear, this change would be easy. We are, at present, hip-deep in regulatory forms and filings. We have to deposit withheld payroll taxes in a Federal Reserve Bank almost as soon as they are withheld. Why not require all collectors of taxes (which would include almost all entities) to have a bank account.

When they made their bank deposit, they would also make the deposit of the collected tax. This is what almost all business entities are doing already.

When we showed this idea to one of our banker friends, he looked over the proposal and immediately threw up his hands in horror and said, “No way! This will never work. We’d go broke taking care of the government’s money.” When it was explained to him that the computers would take care of most of the work and that the bank would be paid a fee for every transaction recorded (they don’t get anything now), he brightened considerably and said he thought it was a great idea.

The True Tax could <u>not</u> have been even a remote possibility twenty years ago. Computer technology has brought us to the point where we can consider such a tax collection process. And the beauty of the system is that the government gains almost a full year of time. Instead of having to wait for over a year for some tax monies and having to refund over-payments, the government would get their tax dollars within just a few days and there would be no complex system of filing to worry about.

A Treasury windfall of monumental proportions would occur in the first year of the adoption of the True Tax. All taxpayers would have to pay their prior year's taxes on their final April 15th return, plus they would have been paying the 1% True Tax for 3½ months, beginning on January 1st of that present (new) year. Fiscal year filers (mostly corporations) would have their normal two and one-half months to file and pay any taxes due. Conceivably, it could happen that a corporation with a fiscal year ending November 30th of the final tax year would pay their final tax on February 15th of year 2 of the True Tax.

It would seem conceivable this Treasury windfall could be used to reduce the National Debt, or shore up the Social Security system, or beef up health care reserves. What a battle would ensue if this ever happened! More about this later. We have a plan!

One of the bright points of the True Tax is that the government would get out of the collection business and let the people of America and businesses pay their own taxes the easy way—at the cash register! The IRS would still be required, but with far less than the many thousands of employees they now have, as their duties would be severely reduced with greatly fewer taxpayer conflicts.

We will immediately get a large negative response about the last statement, but we will explain later. The IRS will not be completely gone, only much, much smaller and with far less impact on personal taxpayers.

Chapter 4

Accounting and Auditing IRS Style

There was a time before the income tax began to control the economy that the Certified Public Accountant title stood for integrity and trust. Audits were dependable instruments in extending credit and making investment decisions. Bankers made loans based on financial statements that reflected factual information vouched for by the accountants issuing the reports.

The time came, however, that the authors of the Internal Revenue Code, namely our Congress, began to re-write all the old established accounting rules and took away all the ability of the accounting professionals to use tried and true methods of measuring the value of a business or professional enterprise.

The first major problem the income tax encountered in the early days was the problem of depreciation and depletion. So why the problem? Depreciation had always been a problem for auditors even before income tax, but solidifying it into a taxing tool was a real problem. This resulted in thousands of tax audits and lawsuits over many years. It also resulted in creating a feeling in the financial community that accounting statements, which didn't match up with tax returns were possibly not good for lending purposes. How could a banker look at a farm's balance sheet, see a minimal balance left in depreciable equipment, and yet have the farmer tell him that he had equipment actually worth thousands of dollars more than that? Who is the banker to believe?

In different sections of the country another problem arose, but was stopped early on due to some brainy hero of the resource extraction industry (you spell that as OIL). This originally started, as we recall, in Texas. The oil barons of the day were making big bucks early in the war years and their tax bills were distressing to say the least. So, they finally came up with the deduction of 'depletion'. We haven't heard any arguments or debates about depletion in many years now, but what it amounts to, simply, is a deduction out of thin air that supposedly reimburses the taxpayer for the depletion of his wasting asset, an oil lease, for example. Since the taxpayer is also deducting all development costs and lease payments it almost looks like a real live tax dodge, doesn't it?

So many tax credits and other 'sweetheart' deductions have gone through the Tax Code that have, in many instances, cancelled each other. Pressure groups and special interest group lobbies have inserted little innocuous-sounding sentences into major legislation and have seen their groups prosper from the tax savings which resulted.

One of the major concerns since the first days of the income tax was the double taxation involved when a corporation distributed its profits to shareholders in the form of dividends. Remember, the corporation had already paid tax once on its profits so why should the shareholder pay again? The problem was finally fixed to a degree, at least, by creation of a legal creature called a Sub-chapter S corporation. This was a purely tax-generated entity that was neither fish nor fowl. It allowed a qualified corporation to be treated for tax purposes, as though it were a partnership, so that operating profits and losses would be passed through to the shareholders without the double taxation of a 'C' corporation.

The trouble with the 'S' corporation in the early days was, generally speaking, taxpayers didn't take it seriously. They were intrigued by their release from personal liability, the lack of which they had when unincorporated, and the ability to deduct corporate losses on their personal tax returns. What could be better? However, the 'S' corporation rules didn't seem to impress them enough to exercise the rules of discipline, such as director's meetings, annual meetings, and careful attention to keeping minutes and such. This resulted in a lot of additional revenue for the IRS in penalties and interest.

Many of the shareholders of small 'S' corporations had a very blurred vision as far as personal use of company vehicles, titling of property of all kinds, etc. “After all, it’s my car,” the owner would say, “I own the corporation. I can drive it across the U.S. on my vacation if I want to. So, there!”

Today, incidents such as this and many more got the graduated income tax system to the present stage and made the ‘S’ corporations a mess. Unbelievably stupendous amounts of tax money go unpaid because of confusing and misunderstood rules and regulations. Most taxpayers won’t, or don’t want to, spend the many dollars that an accountant or other tax consultant must charge in order to keep up with all the conflicting rules and regulations. The True Tax would rid the individual taxpayer of almost all of these problems.

Under the True Tax, however, the large corporations would still have an income tax, most likely a 10% rate for large U.S. corporations and a 20% rate for all foreign corporations. We feel this tax should stay for large corporations for two reasons. The primary one we will discuss later, and the other is that there is a need to maintain oversight of corporations. Otherwise, foreign corporations can do business in the United States and have little, if any, oversight in competing with American businesses. Our recent experience with foreign-controlled oil companies didn’t quite turn out in our favor.

The other reason we should keep the corporate income tax in force is that we need to level the playing field and foster entrepreneurialism (necessary for a strong Free Enterprise system). A corporation is very different from a sole proprietorship or partnership. There is no base exemption for corporations, only business deductions, and a legal entity behaving much like a lifeless individual which cannot die, and without the human restriction of a limited time of existence, when properly managed. Lately, we have seen, even if improperly managed, how corporations can continue in perpetuity (forever), if elected officials are persuaded to put them on life supporting bailouts paid by your and my taxes. Too Big to Fail!? Are you still sleeping?

Chapter 5

Look at all that money!

Over the past decade we have been awash with money in this country. The monetary policy in the 90's was so liberal that money was coming out our ears, in a manner of speaking. The budget was finally balanced (supposedly) by the old method politicians usually balanced the budgets, print cheap dollars to pay the bills. This is an over-simplification of a much more complex problem, but it boils down to the same basic solution. Now, in the second decade of the 21st century, we have reached the limit of Quantitative Easing (printing money by the Federal Reserve), and inflation is fast approaching.

How our tax dollars get spread around the world is amazing, especially to entities that would do harm to a weakened U.S. We spend trillions of dollars to engage in conflicts to reward entities who often perpetuate these conflicts. Bales and trunks of U.S. currency totaling in the hundreds of millions were found by U.S. troops in Iraq. Look at Mubarak walking away with $70 billion in U.S. taxpayer money. How much are we paying Pakistan, Iraq, Afghanistan, etc. to remain ambivalent to terrorism? How many dollars were transferred to Arab and European governments or their financial institutions? Now in 2011, we are seeing those bales of currency found in raids on drug lords in Mexico. How did it get there? Was it subjected to income tax the way U.S. citizen/taxpayers are? It had to represent income to someone, didn't it?

You know, and we know, that drug pushers don't pay income tax. The advocates of the income tax are quick to tout the 1930's conviction of Al Capone through use of income tax evasion laws. They played on that feat for many years. It created good PR for the income tax (they desperately needed it), but it did nothing to make the tax fair or equitable, even from the beginning.

But, let's get back to the talk of money. For that matter, calculating the expected amount of 'net taxable' income must also be a problem in itself.

How do we calculate the amount of tax, if we tax transactions instead of net income? To calculate the True Tax figure expected, we have to refer to the figure presented by Dr. Edgar Feige of the University of Wisconsin. His estimate of total transactions in the U.S. today is in excess of one quadrillion (a thousand trillion) dollars at the present rate of consumption. Now, this figure expands almost daily as the government prints more and more unbacked dollars (monetizes the debt). This highly qualified economist calculates that a 0.35% rate of tax would create sufficient money to cover even the expanded budgets of the Obama years (*0.35% of one quadrillion dollars equals <u>3.5 trillion dollars</u> into the Federal Treasury.).* Instead, we have chosen to use a 1%

figure for two reasons: (1) it would be a simple figure to remember and calculate, and (2) would assure that we had more than enough to cover the budget amount, and pay toward the National Debt.

Much discourse among our authors has occurred in regard to the percentage amounts desired in order to cover the budget and remove the deficit for the next several years. Next, we want to make substantial inroads in paying off the gigantic National Debt of 14.5 trillion dollars.

Of course, the largest single area for collecting the transaction tax would be the securities and commodities markets. Now, before we get a cry of outrage from stockbrokers and investors, let us say this to them. “If you can stay away from all the record keeping the income tax requires, and you can escape the sometimes horrendous tax effects of your profits, aren’t you far and away ahead of the ‘present game’ to pay a mere 1%?” Reason would most likely produce a ‘yes’ answer. However, planning and care must be taken before the True Tax Plan is finally approved and installed, but it is not difficult.

The securities and commodities markets are volatile and unpredictable as to profits for the participants, but would on balance provide a steady flow of transactional tax funds and not harm the general economy. In fact, many believe this tax would act as a damper and minimize volatility; however, more volatility generates more tax revenues. Anyway, these markets would also help create the windfall tax income discussed in another chapter of this book. There might be some outcry from foreign interests, but they would almost be forced to invest in our markets because with the True Tax in force, our dollar would almost certainly strengthen and increase in value. We would regain the dominant position we have almost lost with the economic strain the graduated income tax has put on our economy.

As we said in a previous chapter, it will take a much larger data base and a larger complement of personnel than we authors can muster to compute the actual final percentage rate of the True Tax. From the research we have done and from what Dr. Feige and others have provided, the 1% figure will provide more than enough funds to cover whatever reasonable budget the country comes up with. (*1% of one quadrillion dollars equals <u>10 trillion dollars</u> into the Federal Treasury.)*

Our preliminary figures are actually quite conservative, but if wrong there is no possible way the True Tax rate would be required to exceed more than 2%. Buy our calculations at 2% of 1 quadrillion dollars, we could pay off the entire National Debt in a single year with the $20 trillion in revenues. And, in light of the 23% called for in the Fair Tax on retail sales tax proposal, a 2% True Tax looks like a real bargain!

Chapter 6

Home, Sweet Home!

In the late 90's, some taxpayers who had good tax consultants found a way to make a lot of tax-free money. It was one of the best tax breaks to come along in decades and was a preface to the Bush tax cut program. This was a bonanza waiting to happen. The tax breaks not only made money for a lot of people, it led to a spurring of the economy that was hailed by almost all politicians, liberal and conservative. It helped greatly to relieve the so-called recession brought on mostly by the attack on September 11, 2001, during President Bush's first term. Actually, the Bush tax cuts were "revenue neutral", but the tax relief that was most effective was the one giving taxpayers the right to sell their principal residence, tax-free, if they had actually lived in the house for at least two years. There was a lot of fine print also, but that was the basic law.

With the population increase we had in the United States over the past twenty to thirty years, the price of existing homes had risen steadily since the 50's and 60's. Urban sprawl had sent bare land prices higher by the year. Zoning ordinances and Environmental Protection Agency rules also forced prices higher in many cases. The new tax change came at just the right time. The residences that many retiring taxpayers had bought near L.A., or San Jose, or Denver, or

Boston back in 1962, or thereabouts, for maybe $60,000 was now worth $450,000. The problem over the years was that people would have to pay not only commissions and other selling costs upon a sale of the residence, but also hefty Federal and sometimes State income taxes on the profit. Suddenly, they could sell and have no tax at all upon sales, only sales commissions.

So, they sold out and moved to a lesser market area, say the lake country in the Ozarks, or somewhere they wanted to live, to retire. They bought a home, probably as large as the one they had sold. They paid perhaps $125,000 for this new home, but they only put $15,000 down and financed the balance over, say, 30 years and a reasonable rate of interest. They then had $435,000 <u>in cash</u> to retire with! With their Social Security and possibly 401(k) distributions, life was great. Now, the kicker….after they have lived in this retirement home for two years, they find they can get $200,000 for it. So perhaps they sell again and pick up another profit of $50-60,000. They could do this every two years until they had accumulated $250,000 each in their lifetimes. (Ed. note: This changed in 2004. Now there is no limit on accumulation of profits on sale of homes in a lifetime.)

All of these bonanza tax laws are patched into a flawed system that is completely out of date and is so cumbersome it is almost impossible for Congress to make appropriations that will do the jobs that need to be done, and stay within whatever budget that can be predicted and approved.

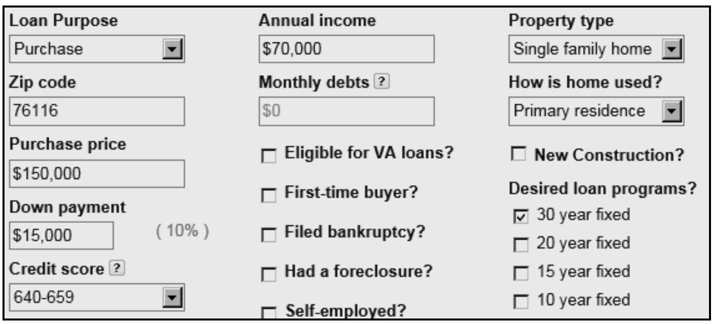
Don't get us wrong. Some of the tax breaks have been for very good causes and have prompted many people to do good things for their communities, that they would never have done just out of the goodness of their hearts. For one, the fairly generous credits for restoring and preserving our older historic buildings have been a credit to our country. So, some good has come from the complex patchwork of conflicting laws to somewhat counteract the bad, but not enough good.

By and large, home ownership is one thing that everyone, almost without exception, trumpets as a paragon of good economics for all families. The buildup of equity in a home will, by monthly payment after monthly payment, be a form of savings; one of the best there is, in fact. Home ownership is one thing that is typically American and one of the things that does not exist in large measure in much of the rest of the world.

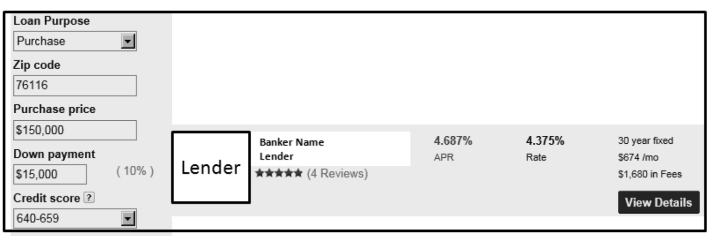
All of these platitudes are well and good so long as you don't get into trouble with the IRS. Your happy home life can be shattered if an IRS collector gets you in his sights and decides to make your life miserable. He usually cannot kick you out of your house, but he can make your life miserable. Your home is not your castle ever again until you "pay the piper." In one case, the offending taxpayer was "shadowed" by the collector even when he drove his children to school, or went to the grocery store, and would get in line at the grocery store to see how he paid for the groceries. The IRS finally won and the taxpayer lost his home. Actually, in this case, the taxpayer was guilty of not paying the payroll taxes assessed against his small business. So, this was somewhat different than non-payment of income tax. This was a greater no-no, that of withholding "trust funds" from the government, so the Taxpayer Bill of Rights could not help this taxpayer.

We hardly think that a deduction for home mortgage interest should be the reason for keeping a decrepit and bumbling system, but that is always one of the biggest objections to changing the tax system. Actually, in the case of most middle-class taxpayers, the deduction for home loan interest would only save them $500 to $700 in actual tax. What would the tax be under the True Tax, if a homeowner sold his/her home for $150,000 cash, assuming the home was paid off? Zero! This was a trick question. The tax of 1% would be $1,500, but paid at closing by the cash buyer. Mortgage sale is a bit different. Remember under the True Tax, it is always the 'buyer' (at wholesale or retail), who pays the tax on the transaction.

If not a cash sale, the buyer would most likely need to come up with a down payment, typically 10% plus closing costs and finance the rest. See www.zillow.com to vary the different values and make your own calculations. The nice thing is, Zillow will list vendors/banks which you qualify for, regarding your loan. The example is illustrated below:



After you enter your info, then click on 'Calculate' and the program will find lenders and terms as illustrated below:



Our test would unfold as two transactions for this homebuyer, one at closing and the other amortized over the life of the loan. This example is a 30 year loan for a low credit score and 10% down. Behold, we discover there is a lender ready to approve your loan with the given inputs. What would your amortized tax be for a payment of $674/mo? It would be 1% of the payment, or $6.74. So, the house payment would be $680.74 excluding property taxes and insurance. The closing costs, including fees, would average about $4,000 plus a $10,000 down payment, for a total of $14,000. Again this is only a single transaction by the buyer and the True Tax would be 1%, or $140. So you would be required $14,140 at closing.

A side note: The mortgage company is actually the entity buying the home, so it would also pay a True Tax of $1,400 on the balance of the sale price at closing ($140,000).

Is this going to cause problems by making home ownership less desirable? We doubt it. We think it would cause some more competition among lenders and cause interest rates to be more competitive, but we don't believe that it would discourage the "own your own home" desire that is imbedded in the American psyche.

We urge you, the reader, to pay close attention to this chapter. The information reflects the always-occurring truth, that when you lower the tax burden, you always spur economic growth (jobs and more transactions). When the politicians started creating the furor of criticism of our country in 2006 and 2007, the construction business fell apart across the entire country, unemployment soared and it has not recovered. In spite of our present situation, there has been much mention of disallowing mortgage interest deductions along with many other economy-depressing proposals from left-wing politicians.

Chapter 7

***FINDING THE LOWEST POSSIBLE RATE* ...WHY ONLY 1%?**

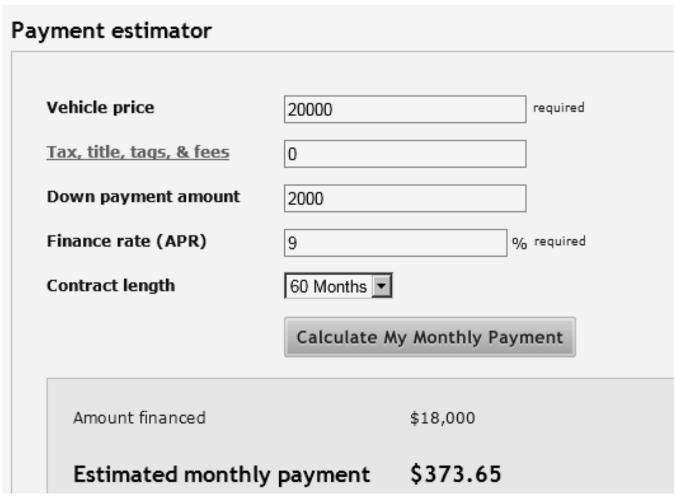
The rate of 1% that we have used throughout our writings about the True Tax plan is so low, that most people can't believe we aren't wild-eyed dreamers trying to foist off a fictitious plan onto the taxpayers. This is far from the truth, as we will demonstrate in the next few pages. The size of the potential tax base in our country is stupendous and mind-boggling. Pressure groups and the tax-and-spend politicians of the last century have either knowingly, or unknowingly, applied Marxist principles of class warfare. While actually crushing the middle class, they create the illusion in the minds of taxpayers that we should "soak the rich" by imposing tax rates that have gone as high as 70% on some marginal segments of income! But, at the same time, some prominent families of great historical wealth have managed to use loopholes in the laws, and send wealth down several generations, all while a "soaking" of the middle class by the use of complex tax laws is occurring.

When we first began our research and writing about the theory of a "spending" tax rather than the un-definable "income" tax which we are currently inflicted with, we had a difficult time outlining the parameters of an effective tax base. Even after all these years, we still think of significant transactions that we have previously overlooked. For example, the commodities markets are almost solely based on Futures contracts, in which the actual amount of funds changing hands is a very small amount in relation to the total transaction, and which may or may not occur in that 'future' period.

Similarly to a home purchase, another example can be applied to purchasing a car. There are many calculators which can help you determine your True Tax, but a convenient site to do your calculation is at www.carmax.com. Our scenario is a case of an auto buyer, who buys an auto for $20,000 with $2,000 down and a bank loan for the balance. Under the strictest interpretation, we would have two transactions, wouldn't we?

After looking for a car that closely matched our criteria we found the following:

For calculation sake we will use the value of $20,000 and a $2,000 down payment. Just as with the purchase of a home, there will be two transactions with this purchase. We will ignore the incidental fees such as title and licensing and apply 1% True Tax to the deposit of $2,000 which equals $20. After selecting and calculating for the auto loan, we get an estimate of monthly payment below:



Our amortized True Tax would be 1% on monthly payment of $373.65 or $3.74 for a total payment of $377.39. The finance company would have to pay 1% tax on the sale price balance of $18,000 which would be a True Tax of $180. You can easily see that our True Tax has a broader tax base, treating every American and business the same, creating far more revenue than we would see at first glance, and is less burdensome to everyone.

Many of the economic assumptions of our group have been derived from the studies of Dr. Edgar

Feige of the University of Wisconsin. He has made an exhaustive study of the transaction figures of the United States and has concluded that a tax rate of 0.57% would have been sufficient for the year 2005. He arrived at this by use of adjusted amounts from the Bank for International Settlements and data from the Internal Revenue Service. Current data can be seen on the BIS site, http://www.bis.org/list/cpss/tid_57/index.htm. Go to the most recent data by clicking on, http://www.bis.org/publ/cpss95.htm (Statistics on payment and settlement systems in the CPSS countries - Figures for 2009). Click on Excel file, http://www.bis.org/publ/cpss/ctrytbls_09_final.xls (Country tables), then on 'US' country tab at the bottom of the spreadsheet, then scroll down to Table 21 for the U.S. and it shows over $1 quadrillion dollars in transactions (actually $1,209,590 billion, or $1.2 quadrillion) for 2009. This amount does not include non-reporting institutions, such as private banks, and private cash transactions which go unreported. The following table shows the reported transaction figures: **(Please see full report on links above: This translation is not an official BIS translation.)**

Table 21
Value of contracts and transactions cleared
(USD billions, total for the year)

	2005	2006	2007	2008	2009
National Securities Clearing Corporation[1,2]					
Total value of contracts and transactions clearec	130,700	174,900	283,200	315,100	209,690
Fixed Income Clearing Corporation[1]					
Total value of contracts and transactions clearec	949,900	940,200	1,101,000	1,125,800	999,900
a) Government Securities Division[3]					
Total value of contracts and transactions clearec	874,300	864,100	1,006,100	1,014,500	905,100
b) Mortgage-Backed Securities Division					
Total value of contracts and transactions clearec	75,600	76,100	94,900	111,300	94,800

[1] Subsidiary of DTCC. [2] Includes equities, corporate and municipal debt, American Depository Receipts, exchange-traded funds, unit investment trusts, mutual funds, insurance products and other securities. [3] Includes Treasury bills, bonds, notes, zero-coupon securities, government agency securities and inflation-indexed securities.
Source: Depository Trust & Clearing Corporation.

Currently, Dr. Feige conservatively estimated that the total transaction base is $1 quadrillion (that's 1,000 trillion, or a million billion, dollars, folks!). He states the factor of 0.35% would be sufficient to cover even the almost unbelievable amount of our present proposed fiscal budget from the Administration.

Our group is not only determined to "cut the deficit", but we also want to start cutting the National Debt, that monstrous amount which the politicians won't even discuss. So, we have settled on a figure of 1% for two reasons; first, it is a very understandable figure for all, which will provide an amount that will be certain to attain our goal of not only covering the budget and deficit, but second, will also provide a sizeable amount to apply against the National Debt.

In any case, it is quite apparent that the True Tax plan would provide more than enough tax revenue to let us get away from all kinds of little nuisance taxes, including the death tax, many nuisance excise taxes, along with the monster of all taxes, the graduated income tax and its step-child the AMT (Alternative Minimum Tax). Abolishing all these will undoubtedly irritate pressure groups and malcontents to an extreme degree, but as we will explain in later chapters, there will be a first-year windfall of tax revenue, which should allay any fears of shortfalls in available funds to meet almost any call.

Chapter 8

Which Shell is the Pea Under?

Remember that con? The old shell game is still being operated by a lot of our politicians. Many of them use different or 'fuzzy math' figures to try proving a point during their speeches, and some even remind us of the old time hucksters' singsong chants. The reason for these conflicting statistics is the government has different methods of accounting in use for different purposes. They quote different figures on the same item for different reasons. There is a set of figures for budgetary purposes and another for annual reporting figures. One is on the accrual basis and another is on the cash basis. The budgetary year is on a fiscal year basis, and taxes are estimated on a calendar year basis, most likely. Actually, we doubt if either of these figures are really correct under strict accounting rules.

The budgetary figures are fiscal year estimates and these figures are the ones the politicians argue over so fitfully. When the usual deficit amount is announced, there is always the eternal argument about tax budget cuts and pork barrel expenditures and all the time they are talking about tremendous amounts of money which are only estimations. Later in the year, figures come out that are announced (presumably on the cash basis) which alter the original estimates up or down. These are greeted with glee by the prevailing administration and usually ignored by the opposition party. Loads of fun for all, right?

We have never been able to settle on a sense of timing with all these enormous figures. If the budget is on a fiscal year and our income taxes are on a mostly calendar year (except for type C corporations, of course), where does our tax payment on April 15, 2012 apply? If I had a windfall profit in 2011 and pay the tax in 2012 by use of extensions, etc., does the Treasury keep amending their figures for the 2011 budget? How can estimates even begin to be believable that are ten years in the future, especially when we can't even 'get it right' for one year in advance?

In the mid-'90s, Congress was putting enormous pressure on President Clinton to 'balance the budget'. For several years they hounded him unmercifully. He and his advisors repeatedly said it couldn't be done before 2000 or later. Finally, through a number of financial maneuvers, it did happen over a rather short period of time. President Clinton was hailed as the financial genius of the decade by his supporters and life went on. But it has always seemed to us to be only a matter of confidence in the taxpayers' minds, whether the budget was actually balanced or not. We, like most taxpayers, were too busy trying to pay our ever-increasing tax bills to worry about that very much. Did his budgets actually balance? We don't know whether they did or not. This question is typical of the questions taxpayers have been asking for many years. We need more transparency regarding our fiscal policies in Washington. We need the True Tax, as a beginning of real transparency.

While talking of shell games, we must visit the most famous of all, the Social Security Trust Fund. This is the supposed 'lock-box' full of money that has been paid in by workers over scores of years and 'invested' for their retirements. Wrong! This is a file cabinet, or a battery of them, full of government bonds. A safe investment? Certainly, the best in the world. But, part of the 'National Debt'? You bet! So, here we have a real paradox; an item that is both an asset and a liability at the same time. However, as one ardent supporter said once, "What's the difference? It's our money." Really? We thought it was owned by the American people and our public officials/servants and elected officials were entrusted to manage it. Go figure!

Social Security was not originally set up as a 'tax'. The name of the Act was (and still is) the Federal Insurance <u>Contributions</u> Act and was the brainchild of the New Deal era. It was envisioned as a forced savings plan for taxpayers. This plan was followed until upset by the Johnson administration in their futile attempt to build the Great Society (more Socialism). Someone had the great idea of using the funds generated from the FICA withholding for current expenses and putting long-term government bonds in its place.

And the FICA plan quickly turned into the cash cow for big government. Still, it took a lot of years for it to become a ‘payroll tax’. This really didn’t happen until the Obama administration let the cat out of the bag, so to speak.

A change of taxing methods from the graduated income tax to the True Tax would broaden the tax base to the ultimate limit, and yet keep the tax rate at very acceptable levels. The present levels of ‘payroll tax’ could be kept in force for a few years in order to build the reserves that reportedly are needed in 2018. The only thing that is needed to ‘fix’ Social Security is money, we think, and the True Tax would cover that problem admirably. Some concessions could even be made to build larger reserves. Also, it has been suggested by several that some life insurance could be included in the program.

A similar situation exists in the Highway Trust Fund, we believe. This fund was established in 1956 for maintenance of public roads with 18.4 cents per gallon of gasoline, and 24.4 cents per gallon of diesel sold. The scope of the fund has since been expanded to support additional programs like Mass Transit. Congress has diverted funds to these other programs and has discussed raising the gasoline tax to over 40 cents per gallon. In 2008, the fund was depleted and required an $8 billion transfer from the General Fund. It is likely that the Highway Trust Fund is a file cabinet, which is also stuffed with asset/liabilities securities (IOUs), too. Are you paying close attention? Which shell is the pea under now?

Actually, the earlier statement is true, that the government securities are the safest investment around. But, on the other hand, it brings up the memory that way down deep, all politicians like a moderate bit of inflation over the years. Inflation creates cheap dollars to pay off government waste someday far down the road of time, and long after the politician is gone. ("Kick the can down the road" policies.)

The True Tax is immediate and simple. Under it, Government is mandated to streamline its operation. Natural resource royalties/fees (oil, gas, coal, timber, etc.) and excess funds are given back to the taxpayer, not to a slush fund to be pilfered by misguided politicians with questionable agendas. This True Tax method would force transparency in government. It is easy to understand and logical in its application. And, there is no question as to which shell the pea is under. It's under all the shells.

Chapter 9

Price Structuring and the True Tax Plan

The True Tax incorporates mechanics of both the Value Added Tax system (VAT) and the typical national retail sales tax. Both these tax strategies have been pushed by different Congressional reformers of the out-dated and generally condemned graduated income tax. Both have also been castigated by most American tax students as impractical, and without a general increase in the tax base, far too costly to sell to the voters/taxpayers.

The VAT adds to the retail price incrementally. For example, a manufacturer of widgets would pay out, say, $300 to complete a product. He would pay (for simplicity in our example) a 10% VAT tax when he bought the materials and labor for the completed product, so he now has $330 invested. He then sells the product to a wholesaler for $770, which includes another $70 of VAT tax. The wholesaler then sells the product to a retailer for $1,100 which includes $100 of VAT tax. The retailer then sells the product to a buyer for $1,650 which includes another $150 of VAT tax. As you can see even at this low VAT rate, since the businesses must pass along the VAT tax, the $1,650 price of the end product in this example is jacked up by $350 or nearly 22% versus no VAT added. At this point in our economic woes, we cannot stand such price increases in the day to day products we must consume. Business profits are also severely eroded in this process.

The VAT tax is imposed all the way up the sales ladder with the tax added in at each level. This cascade effect ultimately adds to prices, but is more-or-less hidden from the ultimate consumer of products. It would have fewer incremental levels as far as service businesses are concerned. Not having dealt with the VAT tax directly, we cannot profess to be any authority on any of the intricate rules in the system, but we have been told by people who have dealt with it, that the paperwork trail is a horrendous chore for business to cope with. The tax is only imposed on businesses and professionals, so evidently the ultimate taxpaying consumer shrugs and pays it. We do know that many countries of the world have adopted this complex and very onerous system, and it never stays at the original 12-14%, but rather quickly jumps to as much as 28-30%, and in some smaller countries is in addition to an income tax. *(A VAT on top of our present income tax was recently discussed by some analysts for possible U.S. implementation.)*

State sales taxes in the United States are so messy and vary so much in their sometimes senseless deductions and exemptions that we certainly would not recommend a Federal retail sales tax system. What a clash of paperwork we would have if we superimposed a 23% Federal retail sales tax onto an already-staggering 6-10% State sales tax! Different exemptions and deductions, different sales requirements such as out-of-State sales, internet sales, etc. What a horrible mess that would be for small businesses and also the State governments themselves.

When considering price structures and a major tax system change, we are obligated to protect the economy, as well as producing tax revenues. Of late we have been exposed to too much publicity about changing the tax system to a national retail sales tax. The rates of tax mentioned are from 17-23%. Now, let's use a bit of reality. The automobile business is of paramount importance in the country and auto sales are vital to our economy, whether we approve or not. Let's say that we adopt a national sales tax of 23%. You go downtown to the auto dealer to buy a new car. So the salesperson says, "Yep, got this little honey right here. Just what you want, it will only cost you $20,000 today. Well, actually, there <u>is</u> sales tax on it. That will be $4,600 for Federal tax and another $1,200 for State tax. Lovely car you bought!"

That conversation might cool your ardor for buying a new car. How many conversations of this sort would it take before the economy went flat? For that reason alone, we must take great care in changing our outmoded tax system.

It is hard to say whether the True Tax system would lower prices. The market place would undoubtedly automatically adjust somewhat to a lower built-in tax rate, but lessening the profit restraint on business by ridding ourselves of the graduated income tax might not lower prices, only keep profits at a bit higher level. Conversely, if the graduated income tax were gone, perhaps many business managers would slash prices, in order to achieve a larger customer base and more dollar volume.

Examples of True Tax computations (Federal):

1) A standard washing machine, produced in the U.S.A.:

Manufacturer buys parts, materials to build washer, estimated at……..	$ 300	Tax paid:	$ 3.00
Distributor buys washer from manufacturer, estimated at………..	$ 400	Tax paid:	$ 4.00
Dealer buys washer from distributor, estimated at…………..	$ 480	Tax paid:	$ 4.80
Customer buys washer from dealer, estimated at……………….	$ 680	Tax paid:	$ 6.80
Total Taxable Transactions:	$ 1,860	Total Tax:	$\boxed{\$ 18.60}$

2) An automobile:

Distributor buys auto from manufacturer, estimated at…….	$ 9,000	Tax paid:	$ 90.00
Dealer buys auto from distributor, estimated at……….	$ 11,000	Tax paid:	$ 110.00
Customer buys auto from dealer, estimated at……………	$15,000	Tax paid:	$ 150.00
Total Taxable Transactions:	$ 35,000	Total Tax:	$\boxed{\$ 350.00}$

Note: Above figures are for illustration of the True Tax type figures only. They have no basis in fact as to prices or margins of profit in those actual industries.

The 'Tax Paid' figures we have shown make it difficult to predict how businesses will price their wares due to the extremely low rate of tax. We cannot predict whether the fast-food establishment would add three cents in advertising a $3 hamburger. Most likely, they would just absorb the few cents in their overhead. But, on the other hand, they would not be paying some 30% or more of their profits in income tax. Go figure! It still looks as though the True Tax is far and away a better way to go!

Chapter 10

Taking Care of Business

We think it is true to say that multi-national corporations are probably some of the worst transgressors we have when income taxes are concerned. They can afford the best tax lawyers and accountants (also lobbyists) and can hide money in the best tax havens known to mankind. They can essentially pay off third-world governments for business favors, and then take credit for 'supposed foreign taxes' against their U.S. taxes, i.e. General Electric (GE). Thankfully, this not a common practice. Many of our most respected multi-nationals observe the letter of the law, but there are some that work exactly as we mentioned above. Payoffs are very common in third-world countries (in all the countries, actually) and American taxpayers can wind up footing the bill for many of these pay-offs in the form of fraudulent overseas tax credits. This practice has been documented many times over in recent years, even as recent as the reported United Nations Oil for Food Program payoffs.

Our main concern, however, is with small business. Most economic writers are not concerned with business taxes. They talk in valid terms about taxing people, about taxing the rich, not taxing savings and many other facets of the taxation question. However, they don't bring up the fact that big business handles most of the cash flow of the United States, and yet most of the Tax Code manipulation deals with small business and individual tax issues.

Some years ago, it was a beautiful tax dodge for a profitable corporation to find another corporation with a huge tax loss carry-forward, conduct a reverse merger (merging the profitable corporation into the loss corporation as though the loss corporation had purchased it), then change the name of the revitalized entity back to a name or logo the same or similar to the first corporation. This went on for many years and cost the taxpaying public many billions of dollars. We haven't heard of much of this in the last few years, but we suppose it still goes on in one form or another even today. We must say that a host of regulations have been issued attempting to stop this practice, but believe me where there is a regulation; there is usually an escape route somewhere. Now, what a crazy thing! Basically, they are again turning a liability (a tax loss) into a saleable asset. And, the taxpayer is footing the bill through lost tax revenues!

The small business has no room to maneuver under the present income tax laws. Big business can, in most cases, raise prices or buy profits in advance by leaning heavily on suppliers, but the small business cannot do that. The small business has little bargaining power on purchases. In addition, it is much easier for a large corporation to negotiate favorable discounts from suppliers because of the larger orders and possibly easier delivery conditions, or other benefits not available to small business.

We once knew an older man, operating as a small business consultant (and doing a wonderful job, by the way). He had worked for many years as comptroller of a regional department store chain. His credo was "Son, always remember, it's a sight easier to buy a profit than it is to sell one." The suppliers' reps that came to see him hated the man, but his clients certainly loved him.

The small businessman is penalized in many other ways, also. Since he is self-employed, he has to pay the matching portion of his Social Security tax and the matching portion of his Medicare payment. This is all based on his profit shown on Schedule C. It is very regressive and, depending on his age, can boost his effective tax rate to as much as 60% on the top portion of his income. Sometimes it is better to work for less money, as long as you are working for someone else.

Interestingly enough, though, sometimes the tax laws benefit some of the small businessmen, especially when they also benefit big business. Some years ago, life insurance companies were not able to help their agents be covered by retirement plans, because the agents were always treated as self-employed people, so they didn't qualify for company pension plans or 401(k) plans. So, some bright legislator created a new kind of employee tax status called the ‘statutory employee’. At the employers’ option, all that was required was a simple check mark on the sales person’s W-2 form and that person would be able to use a Schedule C to report his income and expenses, rather than the old Form 2106, which was a favorite audit signal for the IRS. Also, even though filing a Schedule C, the statutory employee could also be covered under a company pension or 401k.

This neat little arrangement helped the insurance companies do a tremendously good thing for their sales personnel, who were being treated as small business operators. In this way, the agents could have the best of both worlds.

After the establishment of the ‘statutory employee’ designation for basically life insurance sales people, many other outside sales people qualified for the designation. This is one instance where the small businessman scored a small victory over the stifling bonds of the income tax laws.

The almost overpowering burden of the record-keeping required of the small businessman takes an inordinate amount of the businessperson’s time and energy, to say nothing of the financial cost. And, even if every effort is made to be within the rules, one never is altogether certain that the IRS won’t come knocking on the door.

Another sometimes frustrating problem for small business comes more under the heading of payroll tax than income tax, and that is Workman's Compensation Insurance. This obligation can result in rather harsh consequences if the records are not properly handled and the audits are, like in Use tax audits, very detailed and the auditors are more than usually picky. The rates of tax (or premiums) are staggering in some categories of employment and, as in the income tax field: we get into a definition problem. What you see isn't necessarily what you get.

The True Tax probably would not be applicable to the Workman's Comp Insurance, since this is a constantly changing 'tax' subject due to changes in medical costs and other factors such as compensatory damage claims and legal liability claims.

In summary, the True Tax would be a blessing for small business, not only in the reduction of tax paid, but relief from the ever-present dread of that odious letter from the IRS, "Dear Taxpayer,".

In 2005, President Bush stated that the present Tax Code's complexity was costing the nation over $300 billion each year just to keep records, file returns, etc. This figure is far worse now. If we took this burden off our business world, especially the small-business portion, think about how nice it would be.

If you add to the $300 billion record keeping expense, the estimated $350 billion that people do not pay, ignore, or avoid, it comes to very nearly three quarters of a trillion dollars! The proposed budget this year is near 4 trillion dollars, so with the True Tax deleting these, it would reduce the Federal budget by over 16%.

As earlier mentioned, we have finally come to the conclusion that we should keep the income tax in place for large corporations. We should reduce the rate to perhaps 10% for large U.S. Corporations and 20% for all foreign corporations, but keep the present regulations in force for these entities. We feel that we need oversight for corporations and that the SEC may not completely deal with this problem.

There is also another reason for keeping the income tax in force for corporations and that is a political reason. The current tax system has favored one group over another. It is imperative that foreign corporations are not favored, given their advantage of low cost of production. Also, the large corporations have an advantage over the entrepreneur or small business owner, due to economies of scale and the advantages mentioned early. To level the playing field requires oversight and a mechanism to foster entrepreneurialism and create a robust Free Enterprise System.

Therefore, in order to gain approval for converting to the True Tax, we will need all the political force we can muster. The True Tax is the only system that levels the political playing field and we could gain tremendous support regardless of political affiliation for this action.

It should also be noted that the corporate income tax revenues are not included in the 10 trillion dollar transition-type True Tax annual revenues at the 1% rate, so with only a $4 trillion budget, this is obviously not money the Federal government needs. We must be very careful not to provide more than enough money into Federal coffers, as that can breed big trouble and corruption of our government. Additionally, opponents would argue these corporate tax burdens would be simply passed on to the end product consumers, so this may be a consideration for future system adjustments.

Assuming the True Tax is $10 Trillion, we recommend that **10%** of this amount is held to fund programs to streamline the Government, so it runs more efficiently. If any funds are left over by the end of the period, whether annually, quarterly or monthly, they are used to pay down legitimate debts, or unfunded liabilities. The remaining 90% is initially divided into the following three categories:

40% – To cover the Annual Budget, including recapitalization of legitimate programs (i.e. Social

Security, Highway Trust Fund, Medicare, etc.) with $4 trillion per year (the present Annual Budget is near $3.5 trillion).

30% – To pay down the National Debt with approximately $3 trillion per year.

20% – Initially distributed to provide a vital shot in the arm for the economy with $2 trillion in the first year. As a year-end rebate to each American, 18 yrs. and older, this amount would equate to $10,000 per person, given a population of 200,000,000 adults. This means a married couple would receive, at a minimum, a $20,000 rebate per year, but not forever. As the economy recovers and the debt is paid down, this percentage of rebate from collected revenues will diminish from year to year until it eventually reaches zero.

At some future point in time, when the Government has been streamlined, the National Debt has been paid off, and the economy is flourishing, the initial 1% rate of the True Tax must be reduced as necessary to prevent huge Federal coffers of excess tax revenues. The determinations as to when these prescribed levels are met will have to be decided by the Congress in an annually examined manner.

Chapter 11

AN EASY COLLECTION PROCESS

Now we get to one of the most likeable parts of the True Tax plan. We get the government out of the tax collection business. Since we will be on a purely cash basis, the government will not have billions of tax dollars on the books as tax receivables, nor will it be writing off billions of dollars of un-collectible taxes. It will not have to hire private collection agencies to collect taxes, and will not have to pry into private affairs of taxpayers.

It would work in the following way. Every simple transaction that ends with delivery of product to a buyer without financing or carrying of a note of whatever size dollar value would impose the 1% True Tax on the “buyer”. The buyer would be the entity paying the money in whatever transactions occur. The collecting party in most cases would then deposit the money into the government’s account via the seller/collector’s bank, along with their bank regular deposit. Complex transactions will be treated as discussed earlier in chapter 7 for large purchases such as buying home or car. The banks’ computers would segregate the monies and accumulate the tax until the end of the day, then transfer all the tax monies collected into the U.S. Treasury account.

Since there is already a system in place to collect State sales taxes, there is no need for a large collection agency, such as the present Internal Revenue Service bureaucracy. Reducing the IRS will save up to 300 billion taxpayer dollars annually. The government then has its tax money, the taxpayer owes no debt, and best of all, there is no need for a complex return that probes into a taxpayer's right to privacy in his personal affairs. Additionally, the True Tax would require any excess revenues (taxes) received by the Federal Government to be refunded back equally to Americans. It would be great to be an American again!

There will be a number of cases where the "collector" of the tax will not actually collect the funds and will not be liable for the deposit to a bank. For example, employers (the 'buyers' of their employee's time/efforts) will pay the employees' share of any payroll tax incurred directly to the bank, so the employee (the 'seller' of time/effort) will never have to handle those funds.

It would be possible, of course, that a person not having a bank account or good conscience, could make a private sale or other transaction, in which he/she collected True Tax, but did not report or deposit it in the bank. Hopefully, most of these sales would be so small that the tax loss would be negligible. It would take a lot of such activity to create a problem with such a low tax rate;

however, those individuals would have to be prosecuted under the law, if discovered. It is estimated by good authority that the present system sustains a cheating or non-reporting factor of about $315 billion per year.

The most likely method of handling the collection would be to require everyone expecting to be a "collector" of tax to have a bank account and to be registered as a "collector". Personal accounts would be exempt. The collector's (or business) deposit slips would contain areas designated as "True Tax collected" and "regular" deposits. The banks' computer software would automatically enter the amounts to the proper accounts.

When thinking of such people, for example, as a hamburger stand operator at the State fair. He is probably not equipped with a cash register that segregates monies according to types of sales made, so it is easier for him to let the computer figure the tax as an included portion of his prices.

What we have done at this point is slash, by a tremendous amount, the size of the present bureaucracy, which we have let grow wildly for generations. We are instigating a twenty-first century cure for 19th and 20th century problems. There are many who will argue against this plan, citing private enterprise intrusion into the public arena, but the banks have for many years, been collecting tax funds for the government, i.e., payroll tax deposits made by businesses, large and small and millions of small service providers.

We would imagine up to this point, all the readers who are bankers, or are supporters of the banking industry, are grinding their teeth in anguish at the thought of being the tax collectors for the government. But, fear not, bankers! What if you were paid for this service and paid well? And they should be paid well, perhaps 1% of the funds collected. That would be quite a nice sum, 1% of probably $10 trillion is 100 billion dollars in fees. This might sound like a large amount of money for such a service, but it is estimated that the graduated income tax with all its paperwork and complex rules, penalties and interest charges, presently costs the taxpayers of America some 315—350 billion dollars a year. The bank method reduces our tax burden from this tax collection program by 71% or a savings of approximately $250 billion annually. Not bad.

Such a simple tax as the True Tax plan proposes could not have been possible at all twenty years ago. It is truly a tax for the 21st century and it is only possible today because of the most elaborate banking systems and procedures imaginable, all of which were designed and produced by our own American banking industry. Clearly, they are uniquely more capable of collecting our required tax revenues than an antiquated bureaucracy, such as the Internal Revenue Service. We would still have that Department, but it would not be so large, nor so powerful.

Chapter 12

TAX SHOULD BE TRANSPARENT TO PAYERS

The True Tax plan should appeal to individual taxpayers because they can readily see they are actually paying a smaller tax (no personal income tax and 1% on a $60,000 salary amounts to only $600 dollars/year, only IF we assume the person spends the entire salary). Additionally with the True Tax plan, there are no returns to file and no audits or questions about their tax payments. There would be no IRS Tax Code of 67,000 pages to be referred to in almost every phase of life. (Just think of all the trees we will be saving!)

Our proposal also provides an additional caveat that a minimum 10% of this revenue from the True Tax must be used to streamline government, or be returned to the American population. The problem with every tax system has been wastefulness and subsequent expansion of government. Currently there are many redundant programs generated by policy makers that exact a substantial toll on Americans in excess of $200 billion per year. Congress would then have the watchful eye of every American to ensure that tax dollars are used for intended programs. Obsolete programs should be eliminated and those program funds returned to Americans, instead of being used as a slush fund for a pet project.

The envisioned transparency would certainly reveal to the taxpayer the inequities of the present system of graduated income tax. The taxpayer would immediately see that our present system leans ever more heavily upon the upper middle class. With living costs constantly rising and the tax burden also rising, the middle class worker is at the crisis stage. Union workers are promised huge fringe benefits, but those promises seem to be fading as employers' budgets are getting harder and harder to balance and companies are defaulting on unfunded retirement plans.

Another great by-product of the True Tax is a broadening of the tax base, which clears away any aspects of a "spite" tax such as we now have; that of "tax the rich!" This discriminatory bias of the graduated income tax probably arose in the late 19th century, when the socialist movement was emerging. Envy, jealousy, and revenge were rampant, primarily due to the robber barons of that era and their arrogant treatment of the lower classes of that day's society. The graduated income tax was twice abolished, but was somehow revived to plague us for decades again.

The True Tax system would have perfect transparency throughout all the transactions making up the economic tax base. This system would be based on the latest technology, and the Treasury could publish the daily tax collections to taxpayers in a matter of hours. Quite different from the days of Thomas Jefferson.

Chapter 13

ELIMINATE CLASS CONFLICT

Envy can create class conflict. It is a trait of human nature to become envious of someone who has earned or otherwise come into possession of wealth. Even though the wealthy person might have worked long and hard to earn such wealth, many people will tend to unfairly penalize them, if they can. Envy has probably been there since some brave caveman brought back a few more hides from his hunt than those of his neighbors. It will always be around, but many of us know it is wrong to covet.

The True Tax plan eliminates class conflict and will be welcomed by almost everyone, rich and poor. However, many of the people who the tax will help the most, will still have the feeling that the plan doesn't "soak the rich" enough. This conditioned reaction, even though the plan will provide more than enough revenue to meet budget needs and then some. And really, even if you were to confiscate all the wealth (as many of our politicians seem to advocate), the rich are going to survive quite well, regardless.

A typical family income of today that totals about $65,000 per year will result in an income tax of about 12%, or $7,500 including both Federal and State taxes. Under the True Tax plan, the year's tax amount paid would be less than $1,000 total for both Federal and State. Can you see what a burden the graduated income tax puts on the average person when comparing it to our plan? And, as we have previously noted, the 1% rate would be enough to erase the debt, also.

Under the True Tax plan, if an employee has a paycheck due for, say $500, he would get the full amount as take-home pay. Of course, as mentioned above, Social Security deductions would have already been made, but no income tax deducted. The employer would pay the True Tax directly to the bank (because the employer is the 'buyer' in this case) and without the tax withholding, the employee would have that much more money to take home. This could reach, as the example previously shown, hundreds of dollars a month more in paychecks to many employees, depending on their rate of pay.

Another group that has had some complaints about the True Tax plan is that of charitable institutions. These complaints have not come from the leading charities and churches, but from groups that in many cases, only exist to support the fund-raisers themselves. These are the 'third-class-mail' groups, the telemarketer types. All charities would benefit from the fact that the True Tax plan would put much more money at the disposal of the middle-class taxpayers, the working people, and they are mainly the ones supporting most churches and bona fide charities already. The True Tax would also liberate many charities from mountains of record keeping and reporting. Other charities would argue that since there is no income tax deduction under the True Tax system, raising donations would be much more difficult. We would argue that genuinely caring people will donate because of the particular cause, not because of the tax deduction. At the least, we would certainly hope that to be so.

Chapter 14

OF PROFIT AND POLITICS

The adoption of the True Tax plan would spur the U.S. economy like nothing ever seen before. Since there will be no income tax withholding taken from paychecks, our plan would create an immediate influx of disposable income to all Americans, similar to the effect of the tax rate cuts of previous years. More income results in more spending, which indubitably improves our base economy. It's even likely the True Tax system could result in price deflation and create greater demands for goods and services. The present price structure in all American businesses contains built-in income tax charges. Not being economists, we don't know if there is a name for this ingredient, but it is there, nonetheless. In effect presently, you as a final buyer of goods or services are paying someone else's income tax. These manufacturers and businesses cannot realize a market profit, unless this expense/charge is covered in their pricing. Now, if you take away the income tax in the stages below, it works as a reverse of the VAT "blossom" effect and lowers the final price accordingly.

The proponents of the "Fair Tax", who wanted to install a 23% retail sales tax to replace the graduated income tax, tried to say that the market would automatically force a drop in all retail prices and the 23% sales tax would, in effect, leave retail prices the same. Not so. Even if this were true, it would take the market so long to adjust that taxpayers would have long since, repealed the "Fair Tax". On the other hand, if the True Tax plan was put into effect, it wouldn't take long for the different sellers to look at the fact they had no income tax to pay, so they could lower their selling costs, and still have more profit than they had before the True Tax plan was put into force. The free marketplace is self-correcting and almost always right.

There might be a problem with inflation in the old sense of the word, the old "too much money chasing too few goods" theory. But with a judicious use of savings incentives, we think we would rebound nicely into a terrifically strong and stable economy; possibly even strong enough to return our dollar to the 'gold standard' in the near future.

Another troublesome area would be in the political field. If you look at the past Congressional history, the politicians have been bold enough to take advantage of buying re-election votes against challengers by using any excess funds they see in the tax coffers. As a result, we are still reaping the bitter harvest of excess spending on hundreds of vote-buying, almost fraudulent pork-barrel programs, so taxpayers beware! Conversely, the 1% True Tax will provide ample funds to rid us of those deficits predicted and accumulated by past and present Administrations. We predict the 1% will also provide the amount required to reduce the National Debt, that monstrosity presently headed toward $18 trillion. We desperately need the True Tax!

Regarding the tax spending required by Bills from Congress, many were masqueraded as legitimate policies to deal with an emergency or national crisis, yet were laden by leaders/rulers with unconstitutional additions (Earmarks, Pork, Grants, other Programs, etc.), which programs never die and continually expand beyond their original intent. Often, most of the benefits promised are siphoned off to party supporters to garner more votes, instead of providing these resources to the intended recipients. Sadly, we are misled and foolishly believe the politicians will treat our tax monies with respect and do right the next time, yet surprisingly, very few are ever held accountable or thrown in jail for misuse of our tax money. Why haven't George Soros, Benjamin Bernanke, Hank Paulson, Richard Trumka, Andy Sterns, Wade & Dale Rathke, Franklin Raines, Chris Dodd, Barney Frank, AIG, Goldman Sachs Execs, Nancy Pelosi, Harry Reid, John Boehner, etc. been indicted? We could name others, but none are accountable, nor been indicted, nor brought before a televised Grand Jury. In fact, every one of them have been garnished with excessive benefits. Why? Largely because the media outlets are agents aiding and abetting;

perpetuating the lies. Don't you find it amazing and ironic, that almost every official must swear allegiance to the U.S. Constitution and to defend it from all enemies, foreign or domestic? Yet, almost no punitive action is taken by all 'closed-door hearings.' Thomas Jefferson said, "One Man with Courage is a Majority". Will you make a stand and join this movement to Restore our Nation? There is not another agenda more important than protecting our Nation against enemies, foreign and domestic. Don't be fooled by the wolves dressed in sheep's clothing.

Chapter 15

WINNERS AND LOSERS

There would be winners and losers under the True Tax plan. The winners are everyday Americans who believe in the Constitution, honesty and truth. The losers will be those entities that have siphoned the resources of this great nation for far too long and promoted wasteful government programs/spending. What is uniquely interesting; this is a non-partisan plan and compatible with any political party that is honest and truthful. Republicans could live up to their stated tradition of cutting the size of government, reducing the National Debt, reversing the "soak the rich" policies, cutting taxes, and preserving the rights of privacy and personal freedom. Real Democrats would agree in general with the True Tax plan and could champion social programs for those Americans truly in need with abundantly available funding; assuring these programs would be managed as originally intended, going to the intended recipients by eliminating fraud, waste and abuse ensuring the viability for generations to come. The losers will be the radicals whether from the left, or the right.

It will be the left wing Socialist/Progressive portion of the Democrat party, however, which fights the True Tax plan to the death. After all, the plan would kill two of their icons, the graduated income tax and the Estate tax. It has always seemed strange that so many of these folks who advocate re-distribution of wealth are themselves, incredibly wealthy. How does that figure?

Other losers would be tax-preparation companies and other tax preparers. This would be a mixed bag of good and bad. Some of these people have taken tests and exams and are qualified to go with their clients all the way to the Tax Court. Others are store-front operators, who are there for the filing season and then are gone. Many are merely fronts for lending agencies who will loan the filer his “refund” immediately at a huge price. The IRS seems to check a lot of these latter returns for accuracy and veracity. Is there any wonder why? For those preparers who combine this service as a ‘seasonal’ part of their regular business, not having to deal with computing returns will be considered a true blessing.

There would be another and larger number of solid professionals that would, in many cases, be losers, and they are certified public accountants and tax lawyers. We doubt that the CPAs would lose as much as the tax lawyers. The accountants were merely taking care of business financial reporting, audits and business consulting. They would go back to the thing they would be best at doing, and that is attempting to help their business clients make or keep profits.

Most tax lawyers are also well-versed in accounting principles and would fit into the business world seamlessly. Others would stay with the tax law field for years, as many of the large tax cases would not be solved for years after the income tax and death taxes are gone. Actually, under the True Tax plan, the income tax could still be in existence for some corporations for at least a few years. Others still, would move to different areas of law.

The largest group of people who would be losers would be the IRS and many State agency employees devoted to handling State income taxes, sales taxes and Use taxes. We have no figures in mind for the numbers cut from government payrolls, but it could be huge. This would cause an initial problem, but the problem would work itself out in a few years. In any case, the IRS will not just go away. There will still be many jobs the department needs to do, so it will never be completely out of business.

In addressing all of those who will be negatively affected by the institution of the True Tax plan, we must all realize and acknowledge “the 800-pound Gorilla in the room.” We can ill afford to avoid these negatives to a relatively small portion of the total U.S. work force, when the very fate of our Nation hinges on the financial solvency of it. In short, we no longer have the option to continue with the present taxation system, like it or not!

Chapter 16

THE ONE-TIME WINDFALL

Adoption of the True Tax plan would create a large windfall of tax monies that no other proposed plan has ever mentioned. This fund should be, and probably would be, used to ease any economic discomfort caused by the discarding of the graduated income tax. The government employees idled by the shift to a simpler system, would have to either be absorbed into other government departments, or let go entirely with an adequate severance arrangement.

The windfall would come in when the new True Tax and the present Income Tax systems overlap initially. The income taxes are not paid on a cash basis. They are partially paid during the year by withholding from wage earners and paid by advance estimated payments by corporations and self-employed workers. Sometimes, tremendous amounts of tax revenues even come into the government's hands long after the end of the tax year to which they applied.

April 15th is commonly thought of as the date that the income tax is paid, but this is not the final date at all. Many corporations use a fiscal year for reporting and paying the balance of their tax liability, and corporations do not have to file and pay their final taxes until two and one-half months after the end of their <u>fiscal</u> year.

Therefore, these filings would result in a sort of delayed-action in payments, and the government would receive many billions of cash revenues from the 'old' tax system, even after the True Tax was placed in use and receiving transaction-based revenues.

Actually, there would be income tax revenues coming in for several years after a changeover. Many billions would be received due to income tax extensions, term payments on past years' taxes and audits. Also, many tax lawsuits would be settled in later years, some adding revenues.

Thus, this windfall would be huge. It is such a surety, that many politicians would salivate at this development. They might immediately want to pay off the National Debt, (there wouldn't be that much of a windfall), pay up the arrears in the Social Security Trust Funds or pension the misplaced government employees. Whatever their desires, there will be a battle for the money, but that is, all in all, a good problem to have. Personally, we feel that payment on the National Debt is of the utmost importance in keeping America's credit rating 'tops' as the leader of the world.

As we have said previously, the rate of the True Tax will have to be set by budget requirements and might vary from year to year. The rate will also depend on the number of types of taxes to be cancelled by use of the True Tax plan. The rate could increase slightly for inclusion of Social Security (FICA) tax, or a national health care program, or whatever Congress determines. The True Tax rate could also decrease if a continuing number of dollars in excess of the budget is received, or all our debt is paid off. Regardless of realization of any other aids in the quest for deliverance from the income tax, the huge financial windfall would be a tremendous bonus!

Chapter 17

TRUE TAX PLAN HELPFUL TO STATES

The simplicity and transparency of the True Tax plan and the broad tax base it provides, also opens another attraction for all taxpayers and that is its ease of adoption by all 50 States of the Union, plus the District of Columbia and Insular Areas such as American Samoa, Puerto Rico, Guam, etc. None of the other plans have even considered or mentioned this possibility.

Currently, personal income taxes are collected via the Federal Reserve Banks. However, another sparkling aspect of the True Tax plan is, it would require the States to be the Federal tax collection mechanism themselves, plus, if they desired, would allow the individual States to piggy-back on the TT by creating the necessary apparatuses for collection of their State taxes. In the future, should the Federal Government forget its design of limited government, the States could then withhold collected revenues to remind the Federal Government of this nation’s system of checks and balances in order to prevent a different form of government to be created, i.e. Oligarchy.

Our nation was designed as a duo Republic. The States are designed to keep the Federal System in check. States would also be allowed to set their own percentage of tax, or tax rate, so it would cover their budget requirements. What a novel idea! States could become collection rate incubators, allowing adjustments over time as necessary to facilitate what works best for them, instead of having a centralized system forcing a cookie cutter method, which might cause more harm than good for some States or Protectorates. 'One size fits all' does not work when it comes to individual States and their separate needs. For example, New York State may have tremendous in-State transaction dollar amounts and might only need a piggy-back tax of 1%, while the State of Wyoming might set their piggyback rate to 2% or more due to their smaller population tax base within Wyoming. On the other hand, it might not require any more, percentage wise, than New York, because its infrastructures are considerably less. In probability, the True Tax would be a fairly simple mathematical computation to determine the needed percentage to cover the States' respective budgets. One formula might be to divide the annual budget amount by the average number of transaction dollars in that State.

Of course, the states would be free to choose their own tax systems of either or both, income tax and retail sales tax, but the tremendous costs and problems with those methods, versus the True Tax plan, would make it almost foolish for States to exercise such antiquated tax systems.

Unbeknownst to many residents in almost every state, the States, like the Federal, are equally guilty of expanding State government size. Also, many of the states share the same convoluted tax system which promotes centralized or Marxist ideologies. Additionally, even the county and city governments promote similar systems. Many States have sales taxes and income taxes, and coincidently have large numbers of government employees engaging in administration, collection and enforcement of strikingly different or contradictory tax codes. There are also glaring differences in sales tax regulations, some states charging sales tax on food items, while others do not. In some agricultural states, there are no sales or Use tax charged on farm equipment, while in more industrial states, tax breaks are allowed on industrial equipment. The True Tax would level the playing field and eliminate all arguments between groups of taxpayers. It would not affect State Sovereignty.

There are many “nuisance” taxes that the True Tax plan would eliminate, such as estate and inheritance taxes, escheat taxes (escheat tax - is a common law doctrine that operates to ensure that personal property is not left in limbo and ownerless) and one most silly tax, the Use tax. There are many more, but these are usually considered the worst. The Use tax is one that is poorly designed, generally detested and probably about as unfair as any tax could be. It is used primarily to keep people from purchasing items from out-of-State to avoid payment of State sales tax on those items. Another interesting note: many of these Use taxes are used to expand government, or are placed in Retirement Accounts to ensure lavish benefit packages for retirees. Makes you go hmmmm, doesn't it?

In the State of Idaho, for example, everyone is subject to the Use tax and there is a line near the end of the personal State tax return form that asks if the filer owes any Use tax. Almost no one ever uses the line, so almost everyone is automatically and technically a tax evader, if they don't report that they owe a couple of dollars because they subscribed to a few magazines from a company based in New York.

The Idaho State Tax Commission some years ago hired a collection specialist team to concentrate on collection of the Use tax. They focused their attention mostly on licensed professionals in the State, using license revocation threats to collect up to seven to ten years' back taxes, all the while adding numerous penalties and interest to the bills. They also ignored any statutes of limitations (if there were any), forcing the licensees to go back some nine years to dig up long out-of-date records. The effort was finally reported by the State as a great victory for the Use tax enforcement people. None of the licensees affected seemed to have the courage to fight the onerous rules and the class discrimination involved, and no apologies were ever made by the State.

Such State taxes as the Use tax and other nuisance levies are only that, nuisances. They are not equally enforced and are discriminatory to the extreme, usually not even paying the cost of administration and collection. In the State governments, a huge number of bureaucrats exist, who could be eliminated by use of piggy-backing on the True Tax plan. Many billions of taxpayers' hard-eared dollars could be saved and much class anger eliminated as well.

Chapter 18

FAILURES OF THE IRS

Many years ago the Internal Revenue Service proclaimed that its mission was “to collect the proper amount of tax revenue, serve the public by continually improving the quality of our products and services, and perform in a manner warranting the highest degree of public confidence in our integrity, efficiency and fairness.” As said, this was long ago. Standards have slipped, as bureaucratic institutions lack proper or qualified oversight/supervision and lack adequate skills or knowledge to perform their duties in a professional manner. Additionally, these workers are dumbed down through practices or policies to preserve the status quo and political correctness, all but crushing workplace ingenuity and creativity. We will address some of these slippages next.

Some years ago the Washington Post noted that in the year 2001, the IRS was underpaid by cheats and mistakes to the tune of $345 billion. So what’s a billion here and a billion there, it’s all in the game, right? This figure has not decreased in the later years, believe me. The Tax Code is so complex and out-of-date that anyone can inadvertently become a tax evader. On the other hand, how many taxpayers have overpaid in error? We have had many, many taxpayers tell us, “Don’t take that deduction. It’s not involving that much money and I don't want an audit." So the government gets a few more dollars not called for. Conversely, the drug pusher picks up many thousands and doesn't even file a return so the government loses thousands. Where is the fairness there?

Along with the estimated $345 billion that annually goes out the window to the cheaters and mistakes, the nation has another problem with the income tax, the cost of keeping records, additional paperwork, labor costs and the cost of filing, or paying someone to file tax returns. This problem of filing returns is growing each year, as not only the Federal Tax Codes, but also the individual States add hundreds of new tax problems for professional tax preparers. Anymore, a tax preparer is only as good as his software designer.

So, if you add the two figures above, you will be looking at almost three-quarters of a trillion dollars. With our national budget running near over $3 trillion we're getting into some real money. The True Tax plan would eliminate a multitude of problems for taxpayers, especially small business owners.

The IRS also announced in 2006 that they were going to hire private collection entities (and did) to collect some $7.7 billion in delinquent taxes owed the government. These private collectors bid on the job and three private collection firms were chosen from thirty-three that applied. This is an indication of the tremendous growth of the power of the IRS in the past few years. This smacks of a tremendous invasion of privacy by using private firms, but the IRS has been accused of privacy invasions many times before and yet they keep doing it. We don't know if some committee in the House of Representatives ordered this action, or whether it was a unilateral decision by the IRS.

Many of our legislators in Washington screamed terribly some years ago when the administration did some telephone monitoring of suspected terrorist organizations calling from foreign countries, but ironically, none of them seem to have any objections to turning over delinquent tax payments to private firms with no privacy over-sight being shown.

A bit later in 2006, the IRS announced that they were planning to sell certain tax information from returns to marketers, seemingly another invasion of privacy. The actual story that we saw said, "The Internal Revenue Service is going to quietly loosen the once inviolable privacy of Federal income tax records. If it succeeds, accountants and other income tax return preparers will for the first time be able to sell information from individual returns – or entire returns – to marketers and data brokers." Sometime later, this action was not completed by the IRS, but this was typical of the mindset which continues in this agency.

Read the above paragraph again carefully. Doesn't this make a bland (and blind) tax such as the True Tax, almost a necessity? And yet, if we even make the slightest mention of a national identity card to forestall the problem of illegal immigrants holding jobs and abusing the present tax system, we get a tremendous uproar from the Liberal/Progressive Left regarding invasion of privacy.

Another major problem haunting middle-class taxpayers and partially the fault of the Internal Revenue Service is one of the worst and most non-transparent tax laws ever dreamed up, the Alternative Minimum Tax. This monstrosity of a law was put in the Tax Code many years ago and affected only a few people for many years. It was a "spite" tax that was to make sure the super-rich paid at least some tax. It was not adjusted for inflation and really didn't get much attention for a lot of years. But in recent years, it has become more and more significant and has now reached the point where it affects many middle-class taxpayers, as well. The AMT, because it is not adjusted for inflation, now hits middle-class taxpayers and small business owners especially hard. It takes away a noticeable portion of the tax relief extended to them by the Bush tax cuts. It does this by re-adjusting accelerated depreciation deductions and capital gains deductions. It is extremely hard to forecast the tax impact of many transactions involving items addressed by the

AMT. A large capital gain during the year can trigger tax problems in a number of fields and cause near-panic for taxpayers when the computer program spits out a figure of tax due that has not been foreseen.

President Bush called many times for repeal of the AMT. But it, like many fetish items in the Tax Code, is almost a motto for the tax-and-spend crowd of politicians, so it never is seriously considered as a millstone around the necks of taxpayers. It has been temporarily reduced or postponed somewhat, but it still survives. Unlike the death tax (Estate tax) the AMT didn't die in 2010, and the Estate tax could return if Congress fails to act. The AMT seems to be here forever and gets more intrusive each year.

Chapter 19

ADOPTION OF THE TRUE TAX PLAN

Adoption of the True Tax plan will have, without a bit of luck, a long, hard fight. The fight is not because the True Tax is complex or hard to implement. In fact, the True Tax allows a very smooth transition and eliminates uncertainty in its implementation. The True Tax, having a Constitutional agenda, must contend with powerful enemies of Freedom, those who have a vested interest in the game of divide and conquer, and who often use the shell game, or smoke and mirrors to defraud Americans of its resources. These enemies will be powerful and will know that they have everything to lose and very little real defense. But, American conservative thinking has been diligently chipping away at the *'ists'* for the last seventy-five years (Social*ists,* Commun*ists*, athe*ists*), which includes the Progressives, Liberals, 'Big Labor' groups, and most Democrats (Socialist Democrats). The good news in this is that regardless of the impressive number of these groups, conservatives still outnumber their sum total of support.

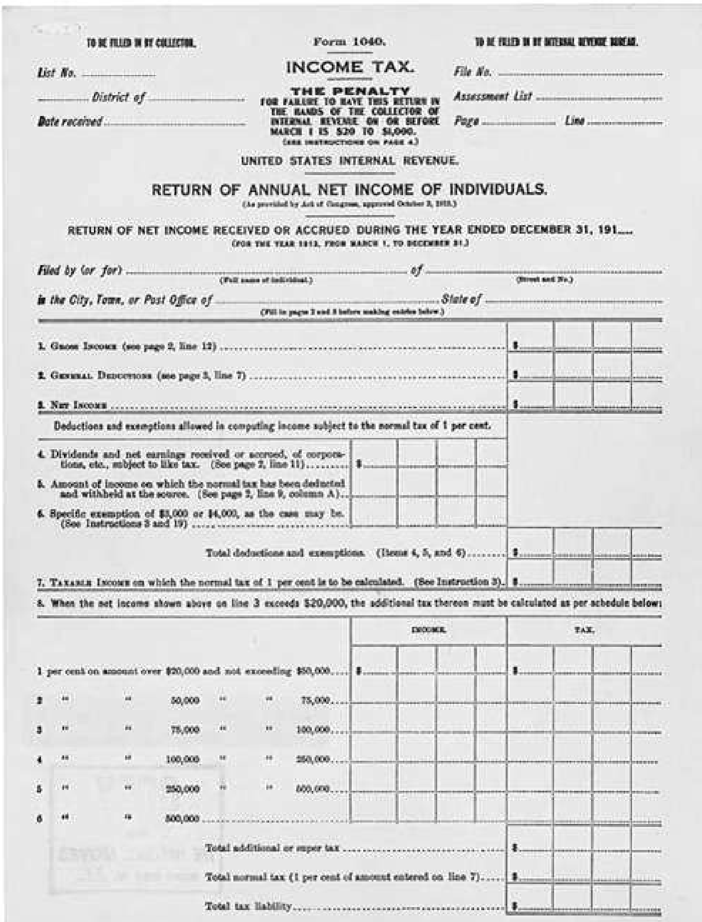
The Socialistic thinkers who saddled us with the graduated income tax, the death tax, and the gift tax, very adroitly welded the taxes into our system by use of the 16th Amendment, thus making it sound and seem terribly difficult to discard the income tax. The rhetoric and spin machine is the only hard issue to handle, and implementation will have to percolate up via grassroots efforts with a resolve to restore America.

With conservatives having the numerical majority, the task then becomes one of awareness and enlightenment of the True Tax system to all citizens, but especially to the grassroots folks, who really haven't paid much attention to matters of this sort their entire lives. It is generally accepted that "Knowledge is power," so our undauntable mission from this moment forward must be to provide that knowledge to the American people in time to accept the True Tax!

Elimination of our National Debt and streamlining government will make it apparent we should champion the cause to repeal the 16th Amendment. The personal income tax is derived from the 16th Amendment and many argue its legitimacy. No matter the debate, the personal income tax has become an onerous burden and expansion of government and subsequent expansion of taxation. Note: In 1913, the first 1040 Individual Return created a tax rate of 1%, an extra 1% more to those making over $20,000 and incremental increases of 1% at each proceeding threshold. It is obvious from the beginning; it was designed as a progressive tax and the beginning of class warfare in America.

My, how dreadfully far we have come. However, the True Tax will set us free again.

1040 Tax Form dated 1913



TO BE FILLED IN BY COLLECTOR.

List No. ....

.... District of ....

Date received ....

Form 1040.

INCOME TAX.

THE PENALTY FOR FAILURE TO HAVE THIS RETURN IN THE HANDS OF THE COLLECTOR OF INTERNAL REVENUE ON OR BEFORE MARCH 1 IS $20 TO $1,000.

(SEE INSTRUCTIONS ON PAGE 4.)

TO BE FILLED IN BY INTERNAL REVENUE BUREAU.

File No. ....

Assessment List ....

Page .... Line ....

UNITED STATES INTERNAL REVENUE.

RETURN OF ANNUAL NET INCOME OF INDIVIDUALS.

(As provided by Act of Congress, approved October 3, 1913.)

RETURN OF NET INCOME RECEIVED OR ACCRUED DURING THE YEAR ENDED DECEMBER 31, 191...

(FOR THE YEAR 1913, FROM MARCH 1, TO DECEMBER 31.)

Filed by (or for) .... (Full name of individual.) of .... (Street and No.)

in the City, Town, or Post Office of .... State of ....

(Fill in pages 2 and 3 before making entries below.)

1. Gross Income (see page 2, line 12) .... $
2. General Deductions (see page 3, line 7) .... $
3. Net Income .... $

Deductions and exemptions allowed in computing income subject to the normal tax of 1 per cent.

4. Dividends and net earnings received or accrued, of corporations, etc., subject to like tax. (See page 2, line 11) .... $
5. Amount of income on which the normal tax has been deducted and withheld at the source. (See page 2, line 9, column A) ....
6. Specific exemption of $3,000 or $4,000, as the case may be. (See Instructions 3 and 19) ....

Total deductions and exemptions. (Items 4, 5, and 6) .... $

7. Taxable Income on which the normal tax of 1 per cent is to be calculated. (See Instruction 3) .... $

8. When the net income shown above on line 3 exceeds $20,000, the additional tax thereon must be calculated as per schedule below:

	INCOME.	TAX.
1 per cent on amount over $20,000 and not exceeding $50,000	$	$
2 " " 50,000 " " 75,000		
3 " " 75,000 " " 100,000		
4 " " 100,000 " " 250,000		
5 " " 250,000 " " 500,000		
6 " " 500,000		
Total additional or super tax		$
Total normal tax (1 per cent of amount entered on line 7)		$
Total tax liability		$

Repealing the 16th sounds so simple, but is going to be a big job, and do we not subsequently need to establish the new tax system within the repealing Amendment? We would argue we do. Any Amendment can be repealed, as was the 18th Amendment regarding Prohibition. However, the process makes it a significant task, as the repeal must be ratified by a majority of the states and there we get into the heavy debate of politics which could drag out until it is too late for Restoring America.

It would seem that the states would benefit greatly if they adopted their plan as a piggy-back on the Federal levy. Each State could separately set their tax amount to absorb their income tax, sales and Use tax, and any other that they wanted to remove from the backs of their taxpayers. They would be able to cut the size of their government, cut expenses tremendously and still have State autonomy. Many small nuisance taxes could be junked by the states, many of them being in force since early in the last century and outdated long ago.

Supporters of the True Tax plan would have to form committees in every State and solicit memberships in the organizations that would push for the new tax system. It would have to be crafted into a bill that would be initiated in the House of Representatives. If passed there, it would go to the Senate for approval there, then to the President. A long struggle possibly, but not impossible. Not many people expected Prohibition to be ended back in the Twenties. But it was.

Once the True Tax plan is adopted, it would be easy for the U. S. Treasury to craft a new Tax Code. It would probably be less than five hundred pages, not the seventy thousand or so that we now have! Think of the printing costs that would save. Also, the trees!

We would be greatly surprised if the banking industry took more than a month to have their computers changed to complement the new tax plan. Then, on Day One we would usher in a new era, the Age of Common Sense!

Chapter 20

CONCLUSION AND OTHER COMMENTS

The True Tax plan of taxation is simple, fair and efficient. It is chargeable on every transaction of any type. It is universal; it has no deductions, no exemptions and no limits. It is deposited into the government's bank account within days (or even hours), so the receipt is almost immediate. It is imposed at a rate of 1% (to the Federal), so it is easy to compute even without a cash register or computer.

There is no further action required of the payer; no returns, no paperwork. There will be no invasion of privacy by government agents or private individuals.

The total tax charged might also include a State tax of 1- 3% as a "piggy-back" amount for the states, thus enabling the states to eliminate income and sales taxes as the Federal government will.

The True Tax plan will do what Conservative politicians have tried to promise for a century or more—cut the size of government It will eliminate the "spite tax" syndrome shown by so many of our Liberal and Progressive citizens.

But the most American thing that will emanate from the adoption of the True Tax plan will be one of the original "unalienable rights" guaranteed us by the Constitution, the right of personal privacy. It will give us back the old-time feeling that "a man's home is his castle" and no one should have the right to pry into his personal affairs without just legal cause. In an ironic twist of fate, we some years ago noted that Russia, the original home of Communism and champion of the Communist Manifesto, now has a "Flat Tax" with a rate of 13%. We could hardly believe it when we discovered this. Initiated in 2001, the tax revenues generated by this tax in Russia absolutely exploded upward. None of our tax-and-spend tax planners have mentioned this Flat Tax miracle which replaced a Graduated Income Tax system for the Russian taxpayers!

It is almost a sure thing that when countries lower their tax rates, by whatever means, their economies explode upward. In a strong economy, politicians tend to promise all sorts of goodies to the taxpayers, and the country could fall into debt and financial distress again if they do. This is a problem we may face when the True Tax is adopted, so we must always watch our legislators carefully. However, the True Tax has a provision to streamline government and prevent the tendency of politicians to manipulate or mislead the public with unconstitutional promises which result in the expansion of government. It is time that Americans wake up from their sleep and remain vigilant to ensure we have a government of the People and for the People.

In summary, we feel that the True Tax plan is the only way to go to have a simple, fair and broad-based tax system, which will work silently, but effectively, to generate enough in tax revenues to pay the government's obligations without undue pressure on its citizens.

Chapter 21

Frequently Asked Questions (FAQs)

In the following pages you will find answers to some of the most interesting questions that have been asked about the True Tax plan.

Q. What will happen to my IRAs and my 401K?

A. Nothing but good things. Your savings will still be there, possibly with fewer restrictions on withdrawals. Actually, you might even use the savings plan already started as a base for a long-term savings program with the extra take-home pay you will have when the True Tax plan is adopted. A national savings plan could be sponsored that would enhance the benefits of the Social Security program. All economists will agree that the solidity of a country's economy is a vigorous savings base by its citizens. What better way to save, since we have IRAs and 401Ks already at hand?

Q. What would be the result if I sold a family heirloom on e-Bay for, say $30,000.00 to someone in India? Would the person have to pay the True Tax? And, if I am not normally a commercial account holder, would I have to open a special account so the bank would hold out the tax?

A. This is a Point of Sale (POS) transaction. It would be the responsibility of POS entity to collect the transaction tax and deposit it as they would any sales tax. The buyer would have to pay the tax just like on any other transaction. It will be up to the Congress to spell out specific rules, but it would be a taxable transaction. As to depositing the tax collected, that could be handled in a number of different ways. You could be required to deposit it directly into the U.S. Treasury account at your bank, or personal account deposit slips could have a box on their face that could account for unusual deposits by personal account holders. Of course, if you were an antique dealer, it would be taken care of in the usual manner. Also, it would be likely that e-Bay would collect and deposit the tax from the buyer for you.

This said, we might think for a minute about payment of the tax by a foreign person or organization. Why not? We have developed a tremendous market and should be repaid for the development that American individuals and organizations have created over the last century. In the countries with the VAT tax, one must pay the tax and may then apply for a refund later (but only if exceeding a minimum set amount of refund).

Q. I am a farmer. Would I have to collect the True Tax from hay buyers or livestock buyers? And what about all the unused depreciation tied up in the expensive equipment I have?

A. Yes, you would collect the True Tax. You would be classified as a commercial enterprise and would collect the tax just the same as if you were a grocer or a landlord. And, in answer to your question of depreciation, you would lose any tax advantage still locked into your investment in equipment. However, you would gain from the standpoint of not paying out income taxes, sometimes on crops unsold. And think of the many, many hours you would save from having to do less arduous paperwork.

Q. What will happen to charitable organizations if the income tax code isn't there to push donors to support them?

A. The bulk of the non-taxable organizations and foundations will survive the changeover. However, many of the fly-by-night groups and foundations will fall by the wayside. It has been shown over the years that many of them are operated only for a few paychecks for their management anyway. Contributors will have more money to contribute under the True Tax plan, so the well-organized and well-attended churches, foundations and other charitable entities will go on as usual. There is one thing that should be noted here, however, and that is that the charitable organizations will all pay the tax when they buy supplies, land, automobiles, trucks, salaries, etc. Because of their non-profit status, the corporate tax of 10% would not apply to them. The non-profits will pay the 1% True Tax when they buy something just like everyone else or every entity, but there would be significant benefits to these organization eliminating needless paperwork. In the interest in preserving our nation and keeping the playing field equal, they will pay the tax with no exemptions, deductions, depreciations nor favoritism. We need all hands on deck to Restore America.

Q. About 15 months ago I bought a tremendous home on a PGA-rated golf course that had just opened. The land and home values have sky-rocketed since I bought, and I now have an offer in which I would realize a profit of over $300,000.00. What would be my tax under the present tax code and what would it be under the True Tax plan?

A. Under the True Tax, this is a complex transaction and the total tax due would be 1% or $3,000. However, the buyer would pay 1% of the total of the down payment plus closing costs at closing. The remainder would be amortized over the cost of the loan (See Chapter 7). Currently, under the present system for 2011, you would pay no tax at all at either purchase, or sale, if you had occupied your home for two years before the sale, but this is expected to expire in 2012. However, this Administration has added a 3% sales tax hidden in the healthcare bill which also includes Federal government requirements to upgrade, or prove that, homes sold to meet environmental and energy standards; thus you, the seller would pay an excess of $9,000 for all that.

Q. Would I still have Social Security and Medicare payments deducted from my paycheck?

A. Yes, we're afraid so, at least for some period of time until all the bugs are worked out of the system. Eventually, these could be eliminated altogether. We also have a funding problem with 'Obamacare'. After a few years, we think that legislators will find by broadening the tax base to the ultimate, as they will have done with the True Tax, that budgetary problems are easily solved. We doubt that Congress would immediately give up the Social Security or Medicare entitlements, even with their ever-rising costs. After a period of time to find our boundaries, we should expect to see payroll taxes either greatly reduced, or gone altogether. Then we should take the terrible burden off the backs of our grand-children and great-grand-children, that of keeping us protected in our senior years. The young people of today have little confidence in the present system. All the present system needs is money and the True Tax can produce that.

Q. "You have a good idea here, my friend, but it will never happen. You would never get this through Congress in the first place" and "the states would never let the Federal government collect their taxes for them. You're wasting your time. It'll just never happen!"

A. This comment came from one of my hard-nosed clients. I have tried to explain to him many times that the True Tax is a tax that relieves the middle-class of the terrible responsibility of providing almost all the revenue the Federal government requires. We believe that a poll of all voters asked about the True Tax system would show about 75% would vote for its support. The other 25% would be: Liberals, Socialists and Progressives; who would resent any effort to free people of their 'social control programs', which they originally imbedded in our now decaying graduated tax system.

Q. This is nothing but a giveaway for the rich and the big corporations. It does nothing for the working man and the middle-class. The rich ought to be taxed at about 50% and the big corporations about the same. The poor should be paying no tax at all. Your plan is pure Rich Republican. It will never work!

A. It was unfortunate that this remark was made to me by an acquaintance (Liberal/Socialist/Progressive) and one-time client. It only shows that he was parroting the standard mantra of the Far Left. Unlike the current system that penalizes the wealthy, or the Fair Tax that provides amnesty to the wealthy, the True Tax treats the wealthy individuals the same as everyone else. It is the only system that is actually equitable and reasonable. A reasonable estimate would be a 10% tax rate to make large U.S. corporations more competitive and prevent migration of these entities to other nations and promote job creation in the U.S. The True Tax eliminates the system of class warfare. Businesses, the wealthy and poor alike will benefit from the True Tax. Repatriated dollars will be taxed at 20% rate the same as foreign corporations, levied because these entities avoided a convoluted and confusing system. Since excess taxes are returned to the public, the poor would initially benefit greatly with a conservative estimate for $10 trillion dollars and receive approximately $20,000/couple. This rebate, for a few years, almost completely cuts taxes for the middle class and the poor. Accordingly, the good thing it does far out-weighs the supposed bad things. It restores initiative into our younger generation workers; it puts money back into the pockets of the families of our country so they can raise their quality of life; it gets the IRS out of our private financial affairs; and <u>it gets everyone back into the act of being a citizen, not just a name and number on a 1040 form</u>.

Q. *Why are you so sure that the states will agree to let the U.S. Treasury collect their taxes? They <u>could</u> just go it alone with their own tax systems, couldn't they?*

A. Yes, they certainly could go it alone, but at a tremendously unnecessary cost. Most of the states that have an income tax merely use the Federal adjusted gross income figures to start their tax-collecting process. It would be somewhat disconcerting, we would think, when a State keeps on with their old programs, when it could piggy-back with the Federal and cut tremendous amounts from its tax-collecting costs. Or, they could be given the option to make their own arrangements within their borders and have their collections paid directly to them by the collecting banks. These decisions and rules would be a matter for the individual State legislatures to address.

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THE TRUE TAX IS A 'TRANSACTION' TAX OF ONLY 1 %!

Debt Ceilings, budget Short-Falls and lack of tax dollars will be a thing of the past. This is not a 'Value-Added Tax' or some European Tax Hybrid; it is a fresh approach to rebuilding the financial infrastructure of the U.S. We The People must send a clear message to this and future generations, our generation took the initiative and build a fair and honest tax system even a 3rd grader can understand.

Enough is enough; The I.R.S. has tarnished our sterling heritage. It is a behemoth system even its agents or creators can't grasp, with tentacles invading our privacy, consuming wealth of individuals, businesses and our nation. Far too many have been harmed by its mismanagement. We can Restore Our Nation and Blot out this blemish now!

We must keep pressure on Washington and make our Representatives convert to the True Tax before it is too late and return sanity to our beloved nation!

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