To:
The United States Senate Committee on Finance
Including all sub-committees tasked with reviewing tax reform ideas

Submission by:
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THE RYMAN DE-CENTRALIZED TAX PLAN

The debate rages on over the most "fair" way to tax America. The "correct" answer eludes those proceeding from conventional wisdom because there **is** no **one** correct solution. The various states of these United States are diverse culturally, politically and economically. Our national leadership desperately needs to recognize that sometimes there's just **not** one good plan…there's just not a federal answer.

SYNOPSIS:

The de-centralized tax plan would radically change the manner in which revenue is collected at the federal level. The primary source of federal revenue would shift from income taxes to a direct federal capitation tax upon each of the States, thereby allowing each state to determine the best tax plan for meeting its federal obligation.

The Constitution (Art.1, Sect.9) provided for a capitation tax upon its citizens proportional to the census, a direct federal taxation upon each citizen's head which did not distinguish between citizens' ability to pay and which was altered, and most would say improved, by the 16th Amendment and the income tax.

Essentially, the de-centralized tax plan would be a hybrid between the direct capitation tax allowed for in the Constitution and the current tax system, effectually applying a capitation tax at the federal level but allowing each state to raise revenues in a manner that could take into account the natural characteristics and resources of that state as well as the socio-political leanings of the citizens of that state. Each state can and should decide what a "fair tax" means for itself.

The advantage of the Ryman De-centralized Tax Plan (hereafter referred to as the DTP) is that, by shifting the debate of how to raise revenue to the state level, we will promote competition and fairness among the various states. That competition between states would, in turn, naturally lead to greater fiscal responsibility within the state and federal governments.

As states adopt competing tax plans, both businesses and individuals will be motivated to "vote with their feet" and numerous natural tensions will come into play:
- if states incentivize business re-location through tax breaks or low corporate taxes, that tax burden might shift to individuals; the result might be a diminished work force.
- if states tax business property/assets heavily but have little or no personal income tax, businesses that remain in that state might find an opportunity for cheap labor, but that might be offset by many in the work force having to follow the job opportunities elsewhere.
- if states tax the incomes of individuals and corporations lightly and don't raise property taxes or sales taxes, a state's services and education system might have to be cut back to the point that its citizens are unwilling to make such sacrifices.
- if a state maintains an irresponsibly high level of services and does not raise revenues accordingly, then it will find itself in financial difficulty and it should necessarily suffer the consequences of its unsound financial/political practices.

Which raises the question of consequences… What is the appropriate penalty for a state that does not meet its federal tax obligation? My plan would require states to make quarterly payments of their annual tax obligation to the federal government. Any state failing to make its tax payment in full in any given quarter would be in default and would lose representation in the House of Representatives until its payments were fully up to date. Any state remaining in default for 3 or more quarters would also lose representation in the Senate until its tax debt was fully paid and current. While a state might meet its federal obligation through borrowing, none of those funds could be borrowed or guaranteed through any agency or arm of the federal government.

The penalties, herein, are harsh but reasonable. Any state whose leadership cannot operate its government in a manner that is fiscally sound should certainly not be given the privilege and responsibility of making the same decisions for the federal government. Likewise, any electoral base which does not exercise sound judgment in voting for balance between governmental services and the means to pay for said services does not deserve a voice in running our national government. These punitive provisions (if not the plan in whole) would almost surely require an Amendment to the Constitution.

The DTP should be accomplished through a Constitutional Amendment process that would repeal the 16th and 17th Amendments, while also instituting a Balanced Budget provision, and a provision dealing with the aforementioned consequences for states which might default on their federal obligation.

In repealing the 16th Amendment, language prohibiting any citizen or corporate income tax should also prohibit any national sales tax or property tax. Frankly, I am reluctant to allow even usage taxes or any tax other than the direct State capitation tax to remain a revenue-producing option. Use of the word "citizen" above was intentional. This Amendment could allow for a federal income tax on non-citizens and could, likewise, allow for continuation of duties, tariffs, etc.

Though not specifically "required" for this tax plan, a repeal of the 17th Amendment is to ensure the return of a voice for states' rights. While the 17th Amendment seemed like it was giving greater voice to "we the people", it has led to an erosion of states' rights because the states, themselves, no longer have a real voice in our federal leadership. Senators are now more answerable to their state-wide electorate than to the state government whose interests they were originally intended to represent.

A Balanced Budget Amendment has long been favored by many and it is the law of the land in most states. My fear in passing "only" a Balanced Budget Amendment is that it might become a tool of those who over-promise and overspend to coerce the automatic raising of taxes to meet the budget, rather than the automatic cutting of the budget to match revenues. As a part of a larger amendment, however, a restricted Balanced Budget provision might prove helpful.

And then, finally, the provisions for depriving representation for states that are in default should be addressed by Amendment. This provision would impose the aforementioned penalties immediately upon the tax due dates and lift the penalty immediately, but only upon payment in full. Likewise, it would define the changes in the basic numbers needed for simple majority, supermajority, etc. to be based upon current voting members in both houses. For example, if Missouri were in default, it would temporarily lose its 8 votes and 214 would represent a simple majority in the House [i.e. (435-8)/2=427/2=213.5]. If Missouri were in default for 3 quarters or more, then 49+1 would represent a Senate majority. Much like the Representatives from U.S. other possessions, these Representatives could still speak for their states on the floor but would temporarily have no vote. Thus, bills could be passed and the Constitution amended further during this time without disruption.

<u>ISSUES ADDRESSED BY RYMAN DTP:</u>

Issue 1:
The progressive federal income tax has, at some times more than others, been used as a tool of social engineering, in some cases to the point of being subversive of our free market economy. The American people deserve the choices that constitute freedom, not the imposition of the socio-political ideology of some incumbent ruling class. In some states, a progressive income tax may actually be effective, and they would be free to implement such a plan, but that need not be imposed as a “one-size-fits-all” solution for America as a whole.

Issue 2:
We have seen abuses by the IRS in pursuing various tax-payers (individual and corporate) and in showing favoritism through the tax exemption process. These abuses are clearly directed toward those whose political views differ from the President, to whom the IRS answers. Whether done by direction or for the sake of common agendas, this is, by definition, tyranny. This proximate cause of such

activity is the concentration of power wielded by the President and through the IRS. The DTP would largely remove the function of the IRS to state level agencies which would be more responsive to the people.

Issue 3:
There has been a definite trend to move business headquarters and assets to locations in other countries. In some cases, cheap labor has played a role, but tax expense has also been a major factor. The DTP would allow businesses to relocate within the United States as states compete among themselves for industry investments. Likewise, the elimination of federal taxes on businesses would spawn an immediate influx of "corporate immigrants" into states with corporate-friendly tax structures. For example, apart from property tax incentives, states could offer sales tax discounts or exemptions for products produced (in all or in part) within their state, or offer a discounted sales tax for any products produced within the United States, effectually helping to level the playing field without the international political "protectionism" pressures that accompany tariffs. Since many products in the U.S. marketplace have multi-national origins, such discounts would not necessarily impact imported components negatively.

Issue 4:
A federal income tax must necessarily be uniform throughout the United States and is, by definition, a "one-size-fits-all" tax plan. We need a tax plan that allows each state to tax its own people in the manner that makes the most sense for that state. To over-simplify, Hawaii might weight its taxation of the tourism industry more heavily. Texas might weight its property taxes more heavily. Oklahoma might tax its oil industry heavily. New York might focus on a very progressive income tax. And so on…

Issue 5:
The IRS code has become so expansive and convoluted that even the IRS has difficulty understanding it. Such incomprehensibility is itself, oppressive and favors those who are wealthy enough to afford a team of accountants or those connected enough to secure the kind of outright favoritism that can be hidden by a multitude of words.

Issue 6:

The income tax allows for the same income (or assets obtained through already-taxed income) to be taxed multiple times (e.g. through inheritance taxes, taxation of garage sale income, etc.). While some states might try to use such punitive tax measures, citizens in each state could discourage its use or vote with their feet. Again, where there is competition, the people generally benefit.

Issue 7:
Much of our taxation is hidden, not just as the commonly-referenced "hidden taxes", but taxes hidden through the "natural reiteration" of the economic marketplace as taxed dollars are spent with businesses which then pay more taxes on those already-taxed dollars that they have now earned. Likewise, they pay their employees from those earned, already-taxed dollars and those employees will pay more taxes on those same dollars, starting the whole cycle all over again with the same already-taxed dollars. The income tax is ingenious in its ability to raise greater revenue while "appearing" to impact us less, perceptually. The reality is that this reiterative nature of income taxation also makes it one of the most insidious, oppressive, and destructive taxes toward a free market economy. A single percentage increase in the tax rate will multiply itself several times over in the degree of its impact on the economy.

With the DTP, the actual federal tax burden would become painfully obvious, as it would necessarily be published at least annually as a per capita tax rate upon the various states.

CONCLUSION:

Forgive my feeble attempt to expound upon what is a fairly simple concept. The Ryman De-centralized Tax Plan boils down to:
- repeal the 16th Amendment and end all federal income taxes
- disallow federal taxation of property, assets, and products
- impose a federal capitation tax upon the States
- allow States to choose the most effective tax plans for their states
- collect federal taxes from states on a quarterly basis
- remove voting representation in the House for any state in default on its federal tax debt

- remove voting representation in the Senate for any state remaining in default on its federal tax debt for 3 quarters

Ancillary actions in conjunction with repeal of the 16th Amendment would include:
- passage of a Balanced Budget provision
- repeal of the 17th Amendment, restoring State representation to the Senate

Respectfully Submitted,

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