

March 12, 2015

Chairman Orrin G. Hatch
Ranking Member Ron Wyden
United States Senate
Committee on Finance
219 Dirksen Senate Office Building
Washington, D.C. 20510

Re: Nascent Tax Reform

Dear Chairman Hatch and Ranking Member Wyden:

It should first be mentioned that I do not represent a specific business entity, special interest, trade coalition or any 501(c)(4) organization, I simply represent common sense, based upon twenty-five plus years of actual, in the trenches tax experience in both public and private accounting. Second, nothing stimulates the American economy and job growth like tax reform. Of course there are other financial incentives and regulatory fixes that should be contemplated, but the Nascent Tax Reform proposal acts as a very simple and straightforward first strike to level set our economic foundation and provides a roadmap for mutual success.

There has been and currently is much discussion regarding “comprehensive” tax reform. Many proposals included in this terminology are very disruptive, do not eliminate some of the most complex and contentious sections of the tax law, do not address concerns surrounding income redistribution schemes built into the current Internal Revenue Code nor do they focus on government cost savings related to compliance enforcement. Furthermore, these proposals either replicate the latest Congressional trend of producing 1,000 + page bills that defy comprehensive understanding or totally disregard a century worth of well thought out, case law precedent focused on the nuances of income tax.

Before I provide the plan, a few facts from the IRS Statistical website, based on the 2011 tax year:

- Assuming AGI for the middle class equals \$75,000 – returns reflecting AGI of this amount or greater represent **21.6%** of all returns filed, but represent **83.7%** of the individual income tax collected.
 - Those below (78.4%) only reflect 16.3% of individual income tax collected
- Assuming AGI for the middle class equals \$100,000 – returns reflecting AGI of this amount or greater represent **13.4%** of all returns filed, but represent **74.6%** of the individual income tax collected.
 - Those below (86.6%) only reflect 25.4% of individual income tax collected

These facts are indisputable as is the fact that historic corporate income tax collections approximate only 10% of total annual revenues collected by the U.S. Treasury. A brief editorial; (1) our current level of income taxation on the top 21.6% of taxpayers would make even Karl Marx blush and (2) I am quite confident that the percentage of print dedicated to tax law, regulations and court proceedings focused on corporate income tax matters far exceed the 10% threshold and point to an area of government spending ripe for overhaul.

Neutral, Authentic, Sensible, Clear, Equitable, Nonpartisan, Terse (Nascent) - **Tax Reform**

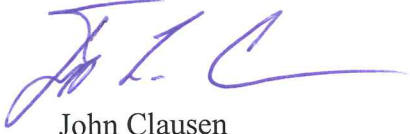
1. Eliminate the 39.6% bracket, AMT and all personal and corporate income tax credits, except for the foreign tax credit
2. Require a minimum \$1,000 annual income tax on each and every SSN (individuals that are 75 years of age or older are exempt) work permit number & FEIN, with mandatory withholding from federal aid programs to capture non-filers
 - a. May raise awareness to identity theft and fraudulent tax filings
3. Immediately lower the corporate top marginal rate to 25% with a five year trend to 20%
 - a. Eliminate IRC Section 199
 - b. After five years, evaluate the merits of adopting a Territorial Tax System and scrapping current Subpart F regime
4. Adopt a one year 80% dividend received deduction (IRC Section 965) on repatriated foreign earnings
 - a. Timing must coincide with the year one 25% tax rate
5. Enact a temporary (5-year) sliding scale tariff/duty on all imported goods – 10%, 8%, 6%, 4%, 2%
 - a. Helps fund cuts and stimulates US capital investment and manufacturing
 - b. Could call it a VAT to mitigate WTO criticism

I respectfully request that you please task the CBO to provide the usual ten-year scoring, making sure not to amend a single provision. The results of the scoring, coupled with the inevitable explosion in U.S. job creation (Dynamic Scoring model) and corresponding drop in government aid enrollment, should guarantee bipartisan support.

A parting editorial comment: with all the debate in Europe and rest of world regarding BEPS, it is absolutely the perfect time to attract multi-nationals to the greatest economy on the planet. The Nascent Tax Reform will do exactly that!

Please do not hesitate to contact me if you have any questions or require supporting documentation and I thank you for the opportunity to engage in this very important matter.

Very truly yours,



John Clausen

