

AMEND INTERNAL REVENUE CODE

Following is a radical approach to change the Internal Revenue Code, which is certain to elicit many objections, particularly from businesses whose raw tax burden will be higher than under the existing Income Tax. However, when the current alternatives being discussed are considered, (the elimination of many or all tax preferences, credits, and raising rates are factored in), combined with the current costs of compliance, the following proposal may not seem so onerous.

- Repeal the Federal Income Tax provisions in their entirety.
- Replace them with a revenue neutral National Payroll tax on all employers.

This approach may seem to be too simple to be viable. However, the discussion points listed on the following pages may be the basis for agreement and result in much needed reform.

Respectfully submitted,

John K. Campbell

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## Discussion Points

1) Fairness - All employers are treated equally and, as a group, share all the benefits of income tax elimination and the burdens of the payroll taxes. However, initially the benefits and burdens will not be shared equally. A phase in period should be provided so the winners and losers will have time to adjust their pricing structure to the new reality; that taxes are a cost of doing business, rather than a profit-sharing system.

Accordingly, to various degrees, the losers will be forced to raise their prices (as will their competitors) in order to survive, and competition will force the winners to lower prices in order to retain market share.

All employers will share in the benefit of just under \$2 Trillion annually in the hands of consumers, to be disposed of as they choose.

2) Stimulates business investment - Proposal would allow a credit against the tax for a significant portion of the cost of buildings and equipment purchased after enactment, spread over a minimum 5 year period, with carryover to future periods until the credit is completely used.

Stimulates investment in new technologies - Appreciated investments can be sold at any time without tax consequences. Proceeds could be diverted to assets with future growth potential rather than locked in past appreciation.

3) Simplicity - Requires only an additional calculation to accompany the quarterly payroll tax returns currently filed by all businesses, thus eliminating millions of income tax returns, reducing the costs of preparing, printing, and enforcement. Problems created by personnel reduction at the IRS could be alleviated by an immediate hiring freeze for all civil service employees.

The backlog of work in progress together with the hiring freeze would cause the effect on staff reduction to be spread over several years.

Requirement for future tax preparers would be eliminated. Present personnel are highly skilled and could turn their talents to productive endeavors.

## Discussion Points

(continued)

4) Stimulates charitable donations - This proposal provides for an annual levy on the net worth (including foreign assets) of the "super rich", which could be reduced or eliminated by allowing a credit for up to 100% of the levy for contributions to charitable organizations.

A great number of wealthy people leave money to charitable organizations upon their death. This provision would only accelerate the process for people so inclined. For those not so inclined, they would likely give to a charity of their choice rather than pay the tax.

The charitable deductions could provide substantial support for organizations currently funded by government, thus reducing the budget deficit and eliminating politically favored charities. *(See enclosed commentary by John Stossel).*

5) Provides incentives for employers to provide certain socially desirable non-payroll benefits to employees rather than wage increases. Such programs would include medical savings accounts and retirement accounts which require no employee contributions. Employer contributions would be allocated to all employees in relation to their reportable wages. Moneys remaining upon death of the employee would be distributed to his or her heirs.

6) Other Considerations - Audit regulations presently exist with respect to capitalized cost, asset valuations, hidden assets, unreported wages, etc. Since individuals no longer need to be audited, the scope of these activities can be expanded to a much greater percentage of returns than in the past. Severe penalties should be applied for non-compliance in any area.

A modest increase in food stamp benefits could be considered for the working poor who presently receive the benefit of the earned income credit. This applies particularly to those who receive a refund for the credit in excess of tax paid.

Flat tax proposals seem to require present tax code to determine the income on which to apply the flat tax rate. This is no improvement or simplification.

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National sales tax requires a new set of regulations to determine organizations upon which to levy the tax and at what rate the levy should be assessed. It also requires increased collection and enforcement efforts. Most proposals seem to consider this tax as an addition to the present income tax code and not a replacement.

7) Conclusions - The present system of levying taxes on income is totally flawed and thoroughly incomprehensible. I believe the electorate would welcome a radical change similar to this proposal. Now is probably the last chance to eliminate the present income tax code.

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# Government needs to clear the way for effective charity

(Las Vegas Review Journal, 12/23/14)

**John  
Stossel  
Commentary**

**I**t's the season for giving.

That doesn't mean it's the season for government.

Government creates loyalty in the minds of citizens by pretending to be Santa Claus, doling out gifts and favors. Politicians claim they help those unfortunates who aren't helped by coldhearted capitalism.

The truth is, government gets in the way of charity, making it harder for people to help others and for the poor to help themselves. It also gets in the way of commerce, which is what really makes people better off.

When I was in college, President Lyndon Johnson declared "an all-out war on human poverty.... For the first time in our history, it's possible to conquer poverty." I believed him. But then I watched government poverty programs fail. America spent trillions of your dollars on the poor, and the poor stayed poor.

Actually, the poverty rate did fall after the "War on Poverty" began.

But it had already been falling prior to initiation of welfare. Sadly, the poverty rate stopped falling about seven years after Johnson's programs began, mostly because government handouts encouraged people to be dependent.

Simple capitalism does much more for poor people. On my show last

week, Marian Tupy, editor of HumanProgress.org, speculated on why people don't appreciate that.

"Our minds evolved tens of thousands of years ago when we lived in small groups of between 50 to 200 people," says Tupy. "We would go out, kill game, bring it back, share it." The idea of everyone getting an equal share still makes us feel warm and cozy.

"Some of the anti-capitalist impulse goes back to that hunter-gatherer mentality and not comprehending the complexity of the market economy," says Tupy. "The complexity outpaced our ability to understand it."

But even those who don't understand markets should open their eyes and acknowledge its benefits: Worldwide, wherever economic freedom is allowed, millions of people have lifted themselves out of stoop labor and miserable poverty.

Of course, not everyone can reap the benefits of markets. The sick, the mentally ill and other truly helpless people need a hand.

But why assume government must provide that help? Government doesn't do anything very well. Why not let private charity handle it?

I once assumed there was too much poverty for private charity to make much of a difference. But

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now I realize there is plenty of money, and private charity would do much more if government didn't discourage it.

When the welfare state took over poverty relief, it crowded out "mutual aid" societies that the poor ran for themselves.

They were like a cross between private unemployment insurance and "moose" or "elks" lodges that encouraged members to help each other out. They were better at helping the poor because their members, unlike government poverty workers, were free to make judgments about who deserved help and who didn't.

Today, there are fewer mutual aid societies because people say, 'Why do it myself when we already have giant welfare bureaucracies? My taxes pay for Obamacare, food stamps, housing vouchers and so on. I'll let the professionals handle it.'

But those "professionals" do a poor job.

Fortunately, charities still try to do what government cannot do. I give money to the Doe Fund, an organization that helps addicts and ex-cons discover the benefits of work. I give because I can see the results: Doe Fund participants work as caterers, exterminators and street-cleaners, and they do it with a spring in their step.

Somehow, the charity teaches these men (they only work with men) to take pride in work. That pride changes people. Unlike other ex-cons, those who are Doe graduates rarely go back to jail.

If government didn't discourage it, more charities would do even better work with the poor. Human beings don't sit around ignoring the suffering of their neighbors. But we are most likely to neglect these moral tasks when government

Insists it has everything covered.

Get government out of the way and just watch what we can do.

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*John Stossel is host of "Stossel on Fox News and author of "No They Can't! Why Government Fails, but Individuals Succeed." His columns are distributed by Creators Syndicate.*