

## General Tax ideas for Simplification

The major overall point is that decreasing the number of brackets and itemized deductions (below the line deductions) is NOT tax simplification! The computer handles all those simple calculations. Also many do not even use the itemized categories such as casualty losses and do not go over the threshold for medical and misc. deductions. The key to simplification is the above the line work that has to be done before it reaches the computer. All the below ideas can be revenue neutral!

You should consider the following on the **individual returns**:

Elimination of the AMT, which was implemented because of the tax shelter 30 years ago which no longer exists, can increase brackets to cover the decline in revenue.

Simplification and standardization of real estate write off rules.

Separation of Capital Gains taxes from the rest of the tax calculation – it would be calculated on a separate page. (Explained below)

Have the K-1s become simpler like the 1099s. (Old idea) But, you would eliminate a lot of pages in the return and auditors would audit the entity directly.

Integrate The Affordable Care Taxes increases into the current rates. (Not the Penalty tax of the uninsured)

Elimination of Qualified Dividends tax reductions and calculations-taxed at the same rate as wages!- make the dividends tax deductible to the corporations-see below.

NOTE: Capital gains taxes have a different collection problem. The higher the actual bracket lowers the number of sales, because people wait to go to market, resulting in lower total revenues. Therefore they should not be integrated with the regular tax making it simpler and it should be very progressive. For example: start at 5% for the first \$5000 gain, then 10% for the next all the way up to around 25% for the 1 million dollar gains. Every year the stock market gains will be sold off in the lower brackets increasing the total revenue. The larger gains, mainly in real estate and corporate sales, are more difficult to delay a sale which allows for larger brackets. There are several deferral strategies that can be eliminated and/or reduced and the stepped up basis for spouses should be eliminated.

The following ideas are for **C-Corporate returns**:

Reduce the Corporate net profit tax from 35% to 15%. These will encourage corporate headquarters in the U.S. by competing with other countries. It reduces the profitability of tax lawyers, CPAs, and off shore planning. Also reduce any tax sheltering loop holes.

Offset this by a gross profits tax of 5% on all **domestic only sales** of **all** companies (located globally). This tax is easier to calculate than net profits.

Making dividends tax deductible is a macroeconomic move that encourages more long range planning and places equity on the same basis as debt and encourages payouts of profits thus increasing tax revenues on the individual side while stabilizing the public stock market.

**Comments:**

I do not know how a simplification process can proceed with the Republicans who do not believe in taxes and whose proposal is to lower the upper bracket and raise the lower bracket (10% to 15%). They also want to eliminate taxes on dividends, capital gains and estates. This makes no macroeconomic sense to drastically lower the tax on the 1%. The reason is in the belief of redistribution. It is **not** redistribution, it is **recirculation**! We as businesses get it right back in our operations as it increases spending power! All past cultures and countries with heavy concentration of wealth at the top do not exist today. I guess they want a failed state with a royalty like the past.

Special Notes:

Consider lowering the payroll tax that the employee pays and at the same time eliminate the cap. This will give a raise to everyone earning up to about \$120,000 producing a massive increase in spending and savings.

The real answer is monetary reform which will lower taxation. It was 100% the cause of the Great Recession not how much we tax and spend! See [www.monetary.org](http://www.monetary.org)