Hi, Connie. Congratulations on your new assignment and on young Connie's election! Linda is on a board with Hank Adler whom you sat next to at a small dinner last week. He was a tax partner at Deloitte for twenty years. He has asked Linda to get the attached piece he's written to you. Since our home computer is awaiting the completion of an addition in which it will be housed, Linda asked if I could get this to you. If you could just acknowledge receipt of his article, it would really be helpful to Linda since he is a fellow board member. As you can see, his email is: adler@chapman.edu. Thanks so much Connie and best of everything with regard to your commission. Please say "Hi" to Priscilla for us.

-----Original Message-----
From: Adler, Hank [mailto:adler@chapman.edu]
Sent: Thursday, January 27, 2005 4:38 PM
To: Skladany, Barney
Subject: Connie Mack

"There are five reasons to consider revision of the Code or the creation of a replacement system of taxation. Each reason has a precise goal that is seeks to achieve: (1) to increase or decrease in the total tax burden, (2) a redistribution of the tax burden from one economic class to another, (3) to increase or decrease tax code social engineering such as the deductibility of home mortgage interest, (4) to increase tax compliance and accomplish a concomitant decrease in tax avoidance, and/or (5) affect tax simplification"

I worry (seriously worry) that there will be no true tax accountants at the table and the result of any reform will not comport with the goals and objectives of the committee. My classic example would be a decision to eliminate the opportunity for tax-exempt interest for non-profit hospitals. My observation would be the consequences would include: higher interest rates for hospitals and therefore more short term distress in the ability of the industry to survive and long term, higher medical costs as the cost of higher interest rates is pushed into the patient billing system. Another example would be a simplification program through which tax planners could drive trucks.

I would love to be involved.

hank

The information contained in this e-mail message is intended only for the personal and confidential use of the recipient(s) named above. This message may be an attorney-client communication and/or work product and as such is privileged and confidential. If the reader of this message is not the intended recipient or an agent responsible for delivering it to the intended recipient, you are hereby notified that you have received this document in error and that any review, dissemination, distribution, or copying of this message is strictly prohibited. If you have received this communication in error, please notify us immediately by e-mail, and delete the original message.
People dislike preparing their Federal income tax returns, but what they truly hate is paying taxes.

The President has indicated that he believes it is time to review and perhaps change or even eliminate the Internal Revenue Code. Some discussion of the Internal Revenue Code (the Code), its complexity and the difficulty or ease with which certain legislative goals can be accomplished by modifying the Code is therefore in order.

There are five reasons to consider revision of the Code or the creation of a replacement system of taxation. Each reason has a precise goal that is seeks to achieve: (1) to increase or decrease in the total tax burden, (2) a redistribution of the tax burden from one economic class to another, (3) to increase or decrease tax code social engineering such as the deductibility of home mortgage interest, (4) to increase tax compliance and accomplish a concomitant decrease in tax avoidance, and/or (5) affect tax simplification.

Any and each proposed change to the Code should be analyzed within the context of each individual reason listed above. A great deal of mischief can occur with respect to the redistribution of the total tax burden from one economic class to another, social engineering and/or tax avoidance under the banner of tax simplification.

Increases or decreases in the total tax burden or redistributions of the tax burden between economic classes can be achieved without difficulty. An increase or decrease in revenues or a redistribution in the total tax burden can be achieved by simply changing income tax rates. If more revenues are needed, rates can be increased, if fewer revenues are needed, rates can be decreased. If the burden on the rich is deemed to be disproportionately too high or too low relative to the taxes born by the poor, rates can be changed on any and all taxable income categories.

If either a change in the tax burden or a redistribution of the tax burden is the goal of the administration, one has to hope that there will be changes to the rate schedules and nothing more. All citizens will understand the proposals and there will be no confusion as tax accountants, tax lawyers, treasury officials and Internal Revenue Service personnel attempt to interpret either technical changes to the existing Code or deal with a new system.

If there is an interest in reducing the social engineering in the Code, this can be done by the straightforward methodology of eliminating deductions and credits provided for in the current Code.

Reducing the social engineering within the Code is politically difficult. To the broad masses of tax return preparers, there is a short list of deductions which dramatically impact their lives: home interest deductions, medical deductions, and casualty losses. (I address the deduction for taxes below.) Likely no one is interested in reducing home ownership, forcing taxpayers to choose between paying medical bills or their taxes and/or expecting someone with an uninsured medical issue or a massive casualty (think uninsured loss of one’s home to a tsunami) to pay income taxes. Additionally, there are a
host of deductions and credits which impact significant numbers of taxpayers: individual credits are available for household and dependent care, elderly and disabled persons, child care, lifetime learning, foreign taxes, qualified retirement savings, adoption and even qualified electric vehicles, and deductions are available for educational loans, investments, charity, and certain education expenses. Any elimination of these credits or deductions needs to be reviewed within the context of the other four reasons to change the Code: Did the change effect total tax revenues change the tax burden between different economic groups, impact compliance and how did it affect the goal of tax simplicity.

If the administration is interested in increasing the level of social engineering in the Code, they need only propose additional deductions or credits. Each of these proposals needs to be reviewed within the context of the other four reasons to change the Code: Did the change effect total tax revenues change the tax burden between different economic groups, impact compliance and how did it affect the goal of tax simplicity.

If there is an interest in increasing compliance and decreasing tax avoidance, I suggest that the current Code and the Justice department are doing the best job since the sixteenth amendment was passed in 1913. Currently: (1) Withholding of income taxes on individuals is the overwhelming best methodology of collecting taxes from as many individuals as possible. The burden of collecting the tax is on the employer and the penalties for not collecting withholding are nearly confiscatory. As a result, the level of compliance is magnificent. No other system has the same level of compliance as the American system of withholding, (2) The number of taxpayers whining amount the alternative minimum tax is evidence that wealthy taxpayers are no longer able to avoid their Federal income taxes through disproportionate itemized deductions or tax-motivated investments and are therefore paying a tax specifically designed so that wealthy individuals cannot avoid their Federal income tax, (3) the at-risk rules and the passive income rules have virtually eliminated tax shelter transactions being used to avoid income taxes on wages and investment income, (4) the assault during the past two years by the Treasury and the Justice Department on major tax shelter scams has been so effective that there is hardly a tax shelter salesman left in the United States and finally, (5) the penalties and interest rates on underpayment of Federal income taxes is now so significant that the penalties and interest can exceed the taxes owed upon the finding of incorrect or under-reporting of the Federal income tax, leaving most taxpayers uninterested in padding deductions or reporting their income incorrectly. In short, the Code is causing most taxpayers to comply with the law and pay the appropriate amount of tax.

This is not to conclude that there is no underground economy and drug dealers are lining up wheel barrels of money to pay their income taxes. There is significant non-compliance in the cash economy. But, no system of taxation is going to successfully force people to report cash transactions or illegal activity. Any plan that believes that a person currently not paying income taxes on an illegal act will pay a value added tax seems plain silly.
Dear Hank,

It was a pleasure being with you the other night in Naples. The challenge before the tax panel is enormous, so I appreciate your thoughts about a replacement of the code. Hank at this time I am not sure if there is a way to reward you but I will be looking for opportunities.

Sincerely,
Connie

2-10-05
To: "Susan Dubin" <Susan.Dubin@shawpittman.com>
cc: RE: Your mailing address

Susan:

Hank Adler, Assistant Professor of Accounting
Chapman University
George Argyros School of Business & Economics
One University Drive
Orange, California 92866
714-628-7283

Hank Adler
6 Stillwater
Irvine, California 92603
949-854-7581

Hope all is well --- hank

-----Original Message-----
From: Susan Dubin [mailto:Susan.Dubin@shawpittman.com]
Sent: Friday, February 11, 2005 9:35 AM
To: Adler, Hirschel
Subject: Your mailing address

Mr. Adler,

Could you please provide me with your mailing address/telephone numbers for Senator Mack. Your email has been forwarded by Mr. Skladany so the only contact information I have is your email address.

Thank you
Susan

Susan J. Dubin
Executive Assistant to Senator Connie Mack Legislative Assistant Shaw Pittman LLP 2300 N Street, NW Washington, DC 20037
202-663-9128
Fax: 202-663-8007
Susan.Dubin@shawpittman.com
Mr. Kime,

Thank you for sharing with me your thoughts. I have forwarded your message on to the panel's staff for consideration. Again, thank you for your input.

Connie Mack

"Bruce Kime" <jbnoggin@cox.net>

"Bruce Kime"
<jbnoggin@cox.net>  
To: <connie.mack@shawpittman.com>  
cc: Advisory Panel on Federal Tax Reform  
02/06/2005 11:03 PM  

Dear Senator Mack: My name is Bruce Kime. I work for a major utility company here in Oklahoma & have for almost 26 years. I would like to give your committee some input from a workingman's prospective. Go to a flat tax, eliminate the income tax on overtime & yearly bonuses. This would help tremendously. The more money we get to keep the better off the economy would be. After all it is our money, we work hard to buy houses, cars etc. If you need any help from the common man I volunteer. Bruce Kime     Stillwater, Okla.       405-377-0467
"Bruce Kime"
<jbknoggin@cox.net>
02/06/2005 11:05 PM

To: <connie.mack@shawpittman.com>
cc: 
Subject: Advisory Panel on Federal Tax Reform

Dear Senator Mack, My name is Bruce Kime. I work for a major utility company here in Oklahoma & have for almost 26 years. I would like to give your committee some input from a workingman's prospective. Go to a flat tax, eliminate the income tax on overtime & yearly bonuses. This would help tremendously. The more money we get to keep the better off the economy would be. After all it is our money, we work hard to buy houses, cars etc. If you need any help from the common man l volunteer. Bruce Kime  Stillwater, Okla.  405-377-0467
Hello Connie

Most enjoyed visiting with you this afternoon. Been too long since we have talked.

Pleased to learn you, Priscilla and your family are well. Was so happy when Connie won your old house seat.

I need to get over and see what has happened on Palm Island. It sounds like a special place.

At this time, I am tentatively scheduled to be in DC on May19-20. When firm, I’ll give you a call and see if we can get together.

Attached are a couple of things to introduce CPAmerica. As mentioned, we may be able to assist your task force in the tax simplification study. Our clients represent thousands of tax payers and our partners have lots of experience in working with the tax code and regulations. You will note from the “Top 10” flyer, we have America covered.

Best personal regards,

Doug

CPAmerica International
11801 Research Drive
Alachua, FL 32615
Ph. 386.418.4001
Fax 386.418.4002

### Accounting Associations – Worldwide

<table>
<thead>
<tr>
<th>RANK</th>
<th>ASSOCIATION</th>
<th>WORLDWIDE REVENUE</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>RSM International</td>
<td>$2.1 billion</td>
</tr>
<tr>
<td>2</td>
<td>Moore Rowland International</td>
<td>$1.8 billion</td>
</tr>
<tr>
<td>3</td>
<td>CPAmerica Int'l/Horwath</td>
<td>$1.7 billion</td>
</tr>
<tr>
<td>4</td>
<td>Baker Tilly International</td>
<td>$1.6 billion</td>
</tr>
<tr>
<td>5</td>
<td>Nexia International</td>
<td>$1.5 billion</td>
</tr>
</tbody>
</table>

### Accounting Firms/Associations – United States

<table>
<thead>
<tr>
<th>RANK</th>
<th>FIRM</th>
<th>REVENUE</th>
<th>PARTNERS</th>
<th>PROFESSIONALS</th>
<th>EMPLOYEES</th>
<th>OFFICES</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Deloitte &amp; Touche</td>
<td>$6.51 billion</td>
<td>2,613</td>
<td>20,487</td>
<td>29,490</td>
<td>91</td>
</tr>
<tr>
<td>2</td>
<td>Ernst &amp; Young</td>
<td>$5.26 billion</td>
<td>2,000</td>
<td>14,400</td>
<td>24,000</td>
<td>86</td>
</tr>
<tr>
<td>3</td>
<td>PricewaterhouseCoopers</td>
<td>$4.85 billion</td>
<td>2,000</td>
<td>21,000</td>
<td>23,000</td>
<td>125</td>
</tr>
<tr>
<td>4</td>
<td>KPMG</td>
<td>$3.79 billion</td>
<td>1,622</td>
<td>11,529</td>
<td>18,196</td>
<td>94</td>
</tr>
<tr>
<td>5</td>
<td>H&amp;R Block</td>
<td>$3.69 billion</td>
<td>NA</td>
<td>NA</td>
<td>12,000</td>
<td>10,000</td>
</tr>
<tr>
<td>6</td>
<td>CPAmerica Int'l/Horwath</td>
<td>$912 million</td>
<td>969</td>
<td>5,054</td>
<td>7,179</td>
<td>150</td>
</tr>
<tr>
<td>7</td>
<td>RSM McGladrey</td>
<td>$596 million</td>
<td>498</td>
<td>2,701</td>
<td>4,180</td>
<td>91</td>
</tr>
<tr>
<td>8</td>
<td>Grant Thornton</td>
<td>$485 million</td>
<td>328</td>
<td>2,217</td>
<td>3,280</td>
<td>48</td>
</tr>
<tr>
<td>9</td>
<td>Jackson Hewitt Tax, Inc.</td>
<td>$397 million</td>
<td>NA</td>
<td>129</td>
<td>336</td>
<td>4,225</td>
</tr>
<tr>
<td>10</td>
<td>American Express Tax Svcs.</td>
<td>$368 million</td>
<td>330</td>
<td>1,650</td>
<td>2,550</td>
<td>50</td>
</tr>
</tbody>
</table>

### Accounting Firms/Associations – Worldwide

<table>
<thead>
<tr>
<th>RANK</th>
<th>FIRM</th>
<th>REVENUE</th>
<th>PARTNERS</th>
<th>PROFESSIONALS</th>
<th>EMPLOYEES</th>
<th>OFFICES</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Deloitte Touche Tohmatsu</td>
<td>$15.10 billion</td>
<td>7,913</td>
<td>88,640</td>
<td>119,770</td>
<td>656</td>
</tr>
<tr>
<td>2</td>
<td>PricewaterhouseCoopers</td>
<td>$14.70 billion</td>
<td>7,879</td>
<td>87,727</td>
<td>122,820</td>
<td>768</td>
</tr>
<tr>
<td>3</td>
<td>Ernst &amp; Young</td>
<td>$13.10 billion</td>
<td>7,126</td>
<td>72,050</td>
<td>102,968</td>
<td>700</td>
</tr>
<tr>
<td>4</td>
<td>KPMG</td>
<td>$12.16 billion</td>
<td>6,900</td>
<td>70,250</td>
<td>98,900</td>
<td>715</td>
</tr>
<tr>
<td>5</td>
<td>BDO International</td>
<td>$12.67 billion</td>
<td>2,142</td>
<td>16,528</td>
<td>23,226</td>
<td>573</td>
</tr>
<tr>
<td>6</td>
<td>RSM International</td>
<td>$2.09 billion</td>
<td>2,242</td>
<td>13,373</td>
<td>20,436</td>
<td>606</td>
</tr>
<tr>
<td>7</td>
<td>Grant Thornton</td>
<td>$2.01 billion</td>
<td>2,270</td>
<td>14,000</td>
<td>21,500</td>
<td>585</td>
</tr>
<tr>
<td>8</td>
<td>Moore Rowland International</td>
<td>$1.80 billion</td>
<td>2,278</td>
<td>13,610</td>
<td>20,852</td>
<td>638</td>
</tr>
<tr>
<td>9</td>
<td>CPAmerica Int'l/Horwath</td>
<td>$1.70 billion</td>
<td>2,210</td>
<td>12,948</td>
<td>18,454</td>
<td>378</td>
</tr>
<tr>
<td>10</td>
<td>Baker Tilly International</td>
<td>$1.60 billion</td>
<td>1,996</td>
<td>11,417</td>
<td>17,029</td>
<td>482</td>
</tr>
</tbody>
</table>

*Based on 2005 figures from Accounting Today and the International Accounting Bulletin*
International Affiliates

More than 530 offices in 400 cities around the globe are affiliated with CPAmerica International/Horwath in the following countries:

ARGENTINA  
HONDURAS  
PEOPLE'S REPUBLIC OF CHINA

AUSTRALIA  
HONG KONG  
PERU

AUSTRIA  
HUNGARY  
PHILIPPINES

BAHAMAS  
INDIA  
POLAND

BAHRAIN  
INDONESIA  
PORTUGAL

BELGIUM  
IRELAND  
PUERTO RICO

BELIZE  
ISLE OF MAN  
QATAR

BOLIVIA  
ISRAEL  
RUSSIA

BOTSWANA  
ITALY  
SAUDI ARABIA

BRAZIL  
JAPAN  
SINGAPORE

BRUNEI  
JERSEY  
SLOVAKIA

CANADA  
JORDAN  
SOUTH AFRICA

CHILE  
KENYA  
SOUTH KOREA

COLOMBIA  
KUWAIT  
SPAIN

COSTA RICA  
LEBANON  
SWEDEN

CROATIA  
LIECHTENSTEIN  
SWITZERLAND

CYPRUS  
LUXEMBOURG  
SYRIA

CZECH REPUBLIC  
MALAYSIA  
TAIWAN

DENMARK  
MAURITIUS  
THAILAND

DOMINICAN REPUBLIC  
MEXICO  
TUNISIA

ECUADOR  
NETHERLANDS  
 TURKEY

EGYPT  
NEW ZEALAND  
UNITED ARAB EMIRATES

EL SALVADOR  
NIGERIA  
UNITED KINGDOM

FINLAND  
N. IRELAND  
URUGUAY

FRANCE  
NORWAY  
VENEZUELA

GERMANY  
PAKISTAN  
VIETNAM

GIBRALTAR  
PALESTINE  
YEMEN

GREECE  
PANAMA  

Discover CPAmerica
Your National Firm Alternative

State-of-the-art technology
interconnects all members via the Internet for members only access to each other and to CPAmerica resources, as well as Lotus Notes access to Horwath International resources.

An impressive flow of noncompetitive sharing
and member participation is unlike any other sharing you’ve experienced because of exclusive member market areas.

Exclusive practice development and marketing assistance
endeavor to help you grow and improve your practice. This assistance includes a full-time professional marketing consultant who will travel to your firm to assist you in successfully developing marketing and cross-selling strategies.

More than 20 themed conferences and roundtables
encourage members to come together to share knowledge, network with peers and hear nationally acclaimed speakers.

Top-ranked staff training programs
are developed for all levels. Courses are quoted as being “the best available in the nation”. As a NASBA-approved sponsor, CPAmerica instructors receive the highest ratings for their knowledge and presentation skills.

More than 15 client newsletters and 30 brochures
are available to CPAmerica members—more than any other CPA firm association in the country. All client newsletters are customized with your firm’s logo.

Electronic Marketing
and design resources are available exclusively to member firms.

Members Only Web site
provides a complete database to find an expert in a hurry among more than 70 firms across the country. Industry specialties include:

- Auto dealerships
- Construction contractors
- Healthcare services
- Not-for-profit organizations
- Manufacturing
- Real estate
- State and local governments
- And many more

"Second opinions and advice are exchanged easily among CPAmerica members due to the online sharing process in place."
Harold L. Monk, Jr., CPA
Managing Partner
Davis, Monk & Company
Gainesville, Fla.
AICPA Council Member and former Auditing Standards Board Member
Member since 1980

"Since we joined CPAmerica we have increased the fee income by fourfold and more than doubled the average partners' income. The benefits our firm experienced as being part of CPAmerica's team are marketing resources, affiliation across the United States, and insight into our profession that stretches our firm's horizons."
James A. Smeltzer, CPA
Seligman, Friedman & Company, P.C.
Harrisburg, Pa.
Member since 1988

"In this challenging economy, our membership in CPAmerica is one investment that continues to provide solid returns. CPAmerica is a valuable and significant resource to gain additional perspective on issues facing our practice and in predicting the future of the profession. We have found member firms graciously share ideas and offer proven programs to the entire membership."
S. Scott Voynich, CPA
Managing Partner
Robinson, Grimes & Company, P.C.
Columbus, Ga.
Chair-elect AICPA Council Member since 1999

"For the past nine years, I've drawn on my experience as marketing director for Ernst & Young Montreal to consult with CPAmerica members. Continued growth and improvement is always a key objective."
Suzanne Csik
National Marketing Consultant
CPAmerica International

CPAmerica International ~ 11801 Research Drive ~ Alachua, FL 32615 ~ Ph (386) 418-4001 ~ Fx (386) 418-4002
The best practice management survey in the country provides confidential benchmark comparisons to help manage the larger CPA firm.

More than 35 preferred providers generates bottom-line savings through discounts and quantity purchasing agreements exclusive to members because of collective purchasing power. The average firm saves more than $17,000 per year.

An entrepreneurial spirit converts into shared successes with formation of new companies and new initiatives such as CPA Mutual Insurance Company of America, CPA Wealth Advisors, CPAConnnect, and CPACareerNet.

A smaller firm companion network, CPAConnect™ positions CPAmerica members for referral revenue from small practitioners.

World-class international referral capability through Horwath International, the CPAmerica strategic alliance partner serves clients’ international needs.

A five-person management team and a 25-person executive office staff dedicate 55,000+ hours a year to helping members. Your management team, backed by graduate degrees and/or CPA credentials, reinforces the strongest association headquarters in the country and provides daily responsiveness to members’ needs.

The president of CPAmerica, Douglas H. Thompson, Jr., CPA, is one of the most respected practice advisers in the country today. Through our members' shared vision and his “outside of the box” thinking, CPAmerica's objective is to help our members improve and grow by enhancing their quality, competitive position, profitability and value.

Our Goal is to “exceed members’ expectations” in everything we do.

“Through our StoneBridge entity, we’ve assisted other CPAmerica members on 43 projects to generate tax savings of $7.2 million for their clients. We estimate CPAmerica members will make up to $1 million in new fees as a result of our specialized preferred provider relationship for the past 11 months.”

Lou Camarella, CPA, ABV Managing Director of StoneBridge Business Partners and a partner of Eldredge, Fox & Porretti, LLP Rochester, N.Y.
Member since 1998

“We’ve more than doubled in size over the last 5 years. CPAmerica helped us get there. We love the benchmarking data from the annual practice management survey. We love the people to kick ideas around with and the corresponding high level of discussion. We enjoy the consistent challenge to get outside the box and think strategically. Overall, we get synergy from this group due to the leadership it has that other groups don’t have.”

Stephen M. Tatone, CPA Aldrich Kilbride & Tatone LLC Salem, Ore.
Member since 1998

“We never worry about missing great opportunities because we are convinced CPAmerica’s programs are the best for us. We firmly believe that through our membership in CPAmerica, we have access to the best newsletters, brochures and CPE courses available. The result of all that money alone to research training, products, and services more than pays for our dues.”

R. Earl Maxwell, CPA Maxwell Locke & Ritter LLP Austin, Texas
Member since 1995