



"Skladany, Barney"
<bskladany@AKINGUM
P.COM>

To: Connie.mack@shawpittman.com
cc:
Subject:

01/31/2005 11:01 AM

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 it 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

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adler's article.doc

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 it 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 straight forward 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.

SENATOR CONNIE MACK



2-10-05

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
survive you but I will be looking for opportunities.

Sincerely,
Connie



"Adler, Hirschel"
<adler@chapman.edu>

02/11/2005 01:00 PM

To: "Susan Dubin" <Susan.Dubin@shawpittman.com>
cc:
Subject: 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

Connie Mack
Sent by: Susan Dubin

To: "Bruce Kime" <jbknoggin@cox.net>
cc:
Subject: Re: Advisory Panel on Federal Tax Reform

02/07/2005 11:32 AM

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" <jbknoggin@cox.net>



"Bruce Kime"
<jbknoggin@cox.net>

02/06/2005 11:03 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 I volunteer. Bruce Kime Stillwater, Okla, 405-377-0467



"Bruce Kime"
<jbknoggin@cox.net>

02/06/2005 11:03 PM

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

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"Doug Thompson"
<dthompson@cpamerica.org>

02/02/2005 06:12 PM

To: <connie.mack@shawpittman.com>
cc:
Subject: FW: ranking flyer and testimonial flyer

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



Top10FlyerHiRes2004 copy.pdf Natl Alt testimonial - 2004 - Pkt pg 3.pdf

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Accounting Associations – Worldwide

RANK	ASSOCIATION	WORLDWIDE REVENUE
1	RSM International	\$2.1 billion
2	Moore Rowland International	\$1.8 billion
3	CPAmerica Int'l/Horwath	\$1.7 billion
4	Baker Tilly International	\$1.6 billion
5	Nexia International	\$1.5 billion

Accounting Firms/Associations – United States

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

Accounting Firms/Associations – Worldwide

RANK	FIRM	REVENUE	PARTNERS	PROFESSIONALS	EMPLOYEES	OFFICES
1	Deloitte Touche Tohmatsu	\$15.10 billion	7,913	88,640	119,770	656
2	PricewaterhouseCoopers	\$14.70 billion	7,879	87,727	122,820	768
3	Ernst & Young	\$13.10 billion	7,126	72,050	102,968	700
4	KPMG International	\$12.16 billion	6,900	70,250	98,900	715
5	BDO International	\$2.67 billion	2,142	16,528	23,226	573
6	RSM International	\$2.09 billion	2,242	13,373	20,436	606
7	Grant Thornton	\$2.01 billion	2,270	14,000	21,500	585
8	Moore Rowland International	\$1.80 billion	2,278	13,610	20,852	638
9	CPAmerica Int'l/Horwath	\$1.70 billion	2,210	12,948	18,454	378
10	Baker Tilly International	\$1.60 billion	1,996	11,417	17,029	482

Based on 2003 figures from *Accounting Today* and the *International Accounting Bulletin*



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CPAmerica International



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Lou Camarella, CPA, ABV
Managing Director of StoneBridge
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Stephen M. Tatone, CPA
Aldrich Kilbride & Tatone LLC
Salem, Ore.
Member since 1998

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access to the best newsletters, brochures
and CPE courses available. The resulting
time we saved not having to research
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R. Earl Maxwell, CPA
Maxwell Locke & Ritter LLP
Austin, Texas
Member since 1995