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From: Roland Boucher [mailto:rolandfly@earthlink.net]
Sent: Saturday, February 12, 2005 8:33 AM
To: Presidents Advisory Panel
Subject: letter to Presidents Panel on Tax reform

The Presidents Advisory Panel on Federal Tax Reform
1440 New York Avenue NW, Suite 2100
Washington DC 20220
February 10, 2005

I am writing to offer my services to the Advisory Panel in three broad areas: as an analyst well-versed in evaluating the revenue implications of any proposed tax changes; as a consultant ready to offer specific recommendations when requested; and as the originator and drafter of numerous proposals for tax reform

I have personally been involved in this field for over 15 years and have been chairman of United Californians for Tax Reform (UCTR) since its inception in 1994. We are a successful, well-respected and creative think tank and advocacy group dedicated to tax simplification and tax reform.

UCTR has played a large role in enacting changes to the California state income tax. Over the past several years, we have worked with the California Franchise Tax Board and the California legislature to remove, one by one, limitations and restrictions on use of a simple tax form (California Form 540-2EZ) so that it can be used by an ever increasing number of individuals. In this effort, we introduced a number of bills, including AB 305, AB 1571, AB 2347, SB 831, and SB 1534. Because of our efforts, Form 540-2EZ is available to the majority of California taxpayers with incomes under \$200,000. In a separate effort, our organization drafted and circulated two California flat tax initiative ballot measures, including our latest initiative based on a concept we developed for an alternative, voluntary flat tax. Moreover, at the federal level, we have been working to enact similar tax simplification changes. With Representative Chris Cox and others in Congressional leadership, we helped introduce HR 4109, which passed the House by a vote of 418 to 0 on June 2, 2004.

Because of our deep and abiding interest in making our tax system fairer and simpler, I would like to offer my services to the panel pro bono, including my use of our proprietary computer program to determine the revenue implications of changes to the tax code. We have analyzed many proposed tax changes over the years and feel confident that our services would be of great use to the panel, especially given the very short time frame in which it has to operate.

For the Panel's additional information, I am enclosing a more detailed description of two of our recent proposed concepts. I look forward to hearing from you.

Roland Boucher, Chairman

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NOTE: A Copy of this Letter and two Attachments (four PDF files)
enclosed.

UNITED CALIFORNIANS FOR TAX REFORM

Attachment 1 Page 1

A VOLUNTARY 15% FLAT TAX

United Californians for Tax Reform (UCTR) introduced the concept of a Voluntary Flat Tax in 1999. In essence we would offer taxpayers who agree to forgo all itemized deductions a lower flat tax rate of 15%. This offer is possible because the value of itemized deductions increases with earnings tending to cancel the revenue from the higher tax brackets. Our original proposal was revenue neutral and was available only to single taxpayers who earned less than \$50,000 and to joint filers who earned less than \$100,000. With the new maximum tax rate of 15% on dividends and capital gains these income limits can easily be doubled and remain revenue neutral.

In 2001 our proposal was presented to leaders in the administration as well as members of the Republican leadership; in both cases it was well received. We were also pleased that similar legislation was introduced by Charles Rangel, Vice Chair of the Ways and Means Committee. Recently, Mr. Stephen Moore, President of the Free Enterprise Fund, presented a compelling case for a Voluntary Flat tax on the editorial pages of the Wall Street Journal.

In 2003 UCTR wrote, received approval by the California Attorney General, for and began to circulate a ballot initiative to provide a voluntary flat tax in California. While funding limitations prevented us from placing this measure on the ballot, we were able to publicize the idea of a voluntary flat tax throughout the state. The legislation required to add a voluntary flat tax at the Federal level could be as simple as adding one section to the Federal Tax Code.

UCTR developed a proprietary computer program which allows us to analyze quickly and accurately the revenue implications of proposed tax changes. Our latest analysis is based on 2001 tax data obtained from IRS publication 1304 "Statistics of Income Individual Income Tax Returns 2001" and the 2004 tax rates and income brackets adjusted for inflation back to 2001. Two summary examples of our analysis are shown in the following tables.

UNITED CALIFORNIANS FOR TAX REFORM

Attachment 1 - Page 2

TABLE 1 1040EZ With Income limits of \$50,000 and \$100,000

Total AGI = \$2886 Billion , Total Tax Revenue = \$206 Billion, Average tax Rate = 7.2%

| OPTION | 1A | 1B | 1C | 1D |
|--------------------|--------|--------|--------|----|
| CHILD CREDIT | \$800 | \$1000 | NONE | |
| PERSONAL EXEMPTION | \$3010 | NONE | NONE | |
| 10% TAX BRACKET | \$7000 | \$7000 | NONE | |
| STANDARD DEDUCTION | \$4850 | \$9000 | \$6100 | |
| MAXIMUM TAX RATE | 15% | 15% | 10% | |

TABLE 2 1040EZ With Income limits of \$100,000 and \$200,000

Total AGI = \$4336 Billion , Total Tax Revenue = \$416 Billion, Average tax Rate = 9.5%

| OPTION | 2A | 2B | 2C | 2D |
|--------------------|--------|--------|--------|----------|
| CHILD CREDIT | NONE | \$1000 | NONE | NONE |
| PERSONAL EXEMPTION | \$3010 | NONE | NONE | NONE |
| 10% TAX BRACKET | YES | YES | YES | \$23,865 |
| STANDARD DEDUCTION | \$4850 | \$6950 | \$9000 | \$4850 |
| MAXIMUM TAX RATE | 15% | 15% | 15% | \$15% |

The Computer program developed by UCTR is capable of evaluating many other variables to the tax code as well as those involved in these examples.

UNITED CALIFORNIANS FOR TAX REFORM

Attachment 2

TAX SIMPLIFICATION

The goal of United Californians for Tax Reform (UCTR) toward tax simplification is to reduce the wasted time, expense, and detailed record-keeping required by taxpayers today to insure compliance with the tax code. None of this complexity is necessary to collect the revenue needed by our government. For example, the Social Security Administration collects almost as much revenue asking very few taxpayers to file an annual return.

UCTR has worked for years on tax simplification. One of the simplest of course is the pure flat tax which has been the focus of a part of our effort. But UCTR has worked on many other means to enact into law legislation to advance tax simplification.

As one example, UCTR has been very successful in removing unnecessary restrictions from the 540-2EZ tax form. In 1999, when we began our campaign, this short, simple tax form was denied to taxpayers who had an income over \$50,000 whether single or married, earned more than \$400 in Interest income, had any income from dividends, pensions, Social Security, or capital gains or were over 65 year old. Today, as a result of our efforts, all but one of these restrictions has been removed. Indeed this year we have introduced legislation to remove the last restriction, on capital gains.

Today the result of our effort is that the simple 540-2EZ Tax Form is available, as an option, to nearly all single tax filers who earn less than \$100,000 and to nearly all joint tax filers who earn less than \$200,000. Gone are the 65 pages of nearly unintelligible instructions required of long-form filers. Eight pages of simple-to-understand instructions are all that are needed. New tax tables, designed to be quick and easy to use, place each type of taxpayer in separate sections. They automatically take into account the standard deduction, personal tax credit, and the dependent tax credits showing the correct tax directly for each level of total income. Filing your taxes in California is now as easy as one-two-three:

Last year, Working with Congressman Chris Cox we were able to introduce legislation to simplify taxes at the federal level. This Bill HR4109 passed by a vote of 418 to 0 and companion legislation was introduced in the senate.

Our ultimate goal would be to eliminate tax filing altogether, except for business and financial institutions. This would be of great benefit to taxpayers and based on our analysis is entirely feasible. Our near term goal is to make a tax form so easy to use that any high school kid can understand it. This goal has very nearly been reached in the 540-2EZ California tax form for 2004. We will continue to support new changes which are viable and feasible to bring us closer to our ultimate goal.

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