

PRESIDENT'S ADVISORY
PANEL
ON FEDERAL TAX REFORM

4906 Powell Rd.
Denair, CA 95316
March 5, 2005

2005 MAR 28 P 4: 18

Dear Chairman Mack:

Regarding tax reform, one of the suggestions to your panel by President Bush was that a tax system should be more able to stimulate economic growth. However, a national sales tax, value added or any form of a consumption tax would severely slow economic growth. The reason this would happen is because people would have more of a tendency to spend less in order to pay fewer consumption taxes. Whereas, people would have less of a tendency to work less in order to pay fewer income taxes. In fact, I heard a lady on C-Span say that she hoped we would go on a national sales tax so she could pay fewer taxes by buying less. A consumption tax would also raise the tax burden on low and middle-income families because they would be forced to spend a higher percentage of their incomes on taxes. A national sales or consumption tax would be a recipe for a deep recession or depression because any form of it would place a large penalty on people purchasing goods and discourage spending. Any form of a consumption tax should be "off the table".

NOTE
Federal Reserve Chairman Alan Greenspan said that a consumption tax would be best from the perspective of economic growth because it would encourage saving and the capital formation that the economy needs to expand and modernize. However, this would be a very negative way to promote savings. A positive way to promote savings would be to exempt savings in banks or saving and loan institutions from income taxes. If there ever was a shortage of savings needed to provide the capital formation for our economy to expand and modernize, the banks and savings institutions could increase their interest rates to attract more savings. If Chairman Greenspan's stated ideas were accepted, there would be very little incentive for businesses to expand or modernize during a deep recession or depression even if they had the money to expand.

The alternative Minimum Tax was a good idea but very poorly constructed and written so it has become very unfair. It should be drastically changed or eliminated. If this panel's only accomplishment would be to change or eliminate the Alternative Minimum Tax, it will accomplish very much. A flat tax would also be very unfair because it would shift a greater tax burden on low and middle-income people. Again, the low and middle-income people would be paying a larger percentage of their incomes. It would also greatly lessen incentives for people to purchase their own homes, contribute to charities, produce energy etc. Our present progressive income tax is not only the best and fairest tax but does less to harm our economic growth than any other type of tax. However, it has accumulated a lot of unnecessary trash that needs to be cleaned up or streamlined. This panel should try to make sure that their suggestions should amount to REFORMING our tax system and not DEFORMING it. Any form of a consumption tax or a flat tax would certainly deform our tax system. Thank you for your time and consideration regarding these matters.

Respectfully yours,

Wendell Martin
Wendell Martin

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4906 Powell Rd.
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2005 MAR 28 P 4: 17

Dear Members of the Advisory Panel on Federal Tax Reform:

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Dear Vice Chairman Breaux:

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