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PRESIDENT'S ADVISORY
PANEL
ON FEDERAL TAX REFORM

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The President's Advisory Panel on Federal Tax Reform
1440 New York Avenue NW
Suite 2100
Washington, DC 20520

Subject: Tax reform

Dear Sirs,

This letter forwards the enclosed suggestions on Tax reform for the Tax Advisory Panel. We are aware of the Advisory Panel in Executive Order No.13369 and will address that "Request for Comment" under separate cover.


Ten years ago the Princeton Economic Institute (PEI) Proposal for Economic Growth and Tax Reform sent us their 60-page booklet on a national Consumption Tax (CT). It is thoroughly researched and we presume has been refined to fit today's situation. The study should be included in the mission of the Tax Advisory Panel.

There now appears to be a ground swell of individuals becoming more cognizant of tax relief via the CT concept. The President, numerous members of Congress and current and former Federal Reserve Chairmen have suggested that a CT should be considered.

PEI argues that the Flat Tax (such as Arney and Forbes Flat Tax) is not the best way to go. Rather a Consumption Tax to replace personal income tax with a 10% national retail sales tax is the better way. A Flat Tax is still an Income Tax (Direct Tax) and is specifically prohibited by the Constitution.

The enclosed two pages of information are for the President's Panel and their considerations in the "bipartite fight" on taxes.

Sincerely,



Jacques Bakke



Luanne Bakke

Enclosures

- o Everyone will pay taxes including illegals, tourists and foreigners. Exemptions can be provided to foreigners who are here officially, as is done in Europe the Mehrwertsteuer (Value added tax in Germany).
- o Traditional deductions such as mortgage and charity can be preserved.
- o Expensing cost of capital equipment instead of depreciating will eliminate double taxing of business investments. Exempting the taxation of interest will eliminate taxing personal savings twice.
- o Eliminate taxing twice on exporting.

- o ~~The IRS will not be totally eliminated because they will have to insure that businesses collect and pay.~~
- o CT will eliminate the enormous dark shadow which hovers over the citizenry annually.
- o CT will help, in the continuing effort to make the government smaller.

CONSUMPTION TAX IDEAS, VIEWS AND INFORMATION

Submitted by Jacques Bakke and Luanne Bakke, Lander, Wyoming March 8, 2005
For President Bush's Advisory Panel

- o The Princeton Economic Institute (PEI) and the Federal Reserve are not the only organizations supporting this tax: Heritage Foundation, Hoover Institute, some countries in Eastern Europe, States like Wyoming, Texas, The Investor's Business Daily, Center for Strategic Tax Reform, National Tax Payers Union, and others.
- o A Consumption Tax (CT) is the only fair taxation and a permanent way for the President to give a tax break to all of the American people! New Zealand has shown that Ronald Reagan's theory of lower tax rates do produce more revenue.

- o CT does not play favorites and will not punish achievement, albeit the left will use scare tactics as it is doing with the Privatization concept of Social Security.
- o CT will not be a complicated tax.
- o CT is not a radical or new idea and is essentially in current use with Roth IRAs (deferral vs. exempting the yield on previously taxed savings).
- o CT will be difficult and a convincing bipartisan issue in today's political vituperative environment but very much worth the effort for all Americans.
- o CT will solve the nagging question of "How do we tax the internet?"
"Taxes are paid when purchases are made."
- o CT will solve the problem (IRS concerns) of taxing the 20% underground tax avoiders.
- o CT will eliminate double taxation and taxation without representation

- o ~~PEI recommends immediate 15% pay-raise for every employee. No need for a minimum wage!~~
- o The poor will pay fewer and lower taxes and the wealthy will pay more because they purchase more and buy higher priced items. Tax attorneys will not be needed to figure tax avoidance.
- o Under a CT, Items of necessity such as food, clothing, etc. will be exempt from taxation.
- o CT will eliminate the propensity of corporations and companies to create "fees," which are currently tantamount to "taxation without representation" on all after tax savings.