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PRESIDENT'S ADVISORY
PANEL
ON FEDERAL TAX REFORM

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June 6, 2005

The Honorable Connie Mack
Chairman
President's Advisory Panel on
Federal Tax Reform
1440 New York Avenue
Suite 2100
Washington DC 20220

The Honorable John Breaux
Vice Chairman
President's Advisory Panel on
Federal Tax Reform
1440 New York Avenue
Suite 2100
Washington DC 20220

Dear Chairman Mack, Vice Chairman Breaux, and Members of the Panel,

We appreciate this opportunity to submit comments on the tax reform proposals. By way of background, the California Taxpayers' Association was founded in 1926 to protect Californians from unnecessary taxes, and to promote efficient, quality government services. We are located in Sacramento and primarily focus on tax and spending policy issues that have significant impact on California taxpayers. We appreciate the complexity of your mandate to simplify the federal tax law, but respectfully submit that adopting Return Free does not in any sense help you accomplish that mission. It cannot in our view be considered a true "reform" proposal.

This past August, California's equivalent of the Internal Revenue Service, known as the Franchise Tax Board (FTB), approved a pilot program called the "Ready Return" project. The success of this pilot program is in serious doubt for several reasons:

1. There is a real concern over whether the government should be preparing a taxpayer's tax return and sending a tax bill. This type of intrusion places the individual taxpayer in the position of having to audit the government's staff's calculations—an act likely to be more anxiety producing and burdensome than leaving the initial reporting requirement on the taxpayer. This proposal raises serious privacy/security, conflict of interest charges, and fear of reprisal if the government-generated document was rejected.
2. The program is a very costly expansion of government with very little benefit.
3. The Ready Return concept was an idea pushed onto California taxpayers without their input, their guidance, or their clear understanding. The result has been a pilot that significantly underperformed its projections, and for good reason—fundamentally the taxpayer does not want the government to tell them what their tax obligation is but to tell them how best to comply with a set of laws and requirements that they can understand.
4. This month the Assembly Budget Committee voted to exclude funding for the "Ready Return" program citing taxpayer's concerns over privacy and identity.

CALIFORNIA TAXPAYERS' ASSOCIATION

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theft. Even the state that gave rise to the concept is having serious concerns with the proposals

Based on the California experience to date, we strongly urge you drop this ill-advised, expensive program and refocus on meaningful reforms to simplify the federal tax laws.

Sincerely,

A handwritten signature in black ink, appearing to read "Larry McCarthy". The signature is stylized and written in a cursive-like font.

Larry McCarthy
President
California Taxpayers' Association