

Comments for
The President's Advisory Panel
on Tax Reform

By

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My comments address Request for Comments #1, Question 4, “Goals that the Panel should try to achieve as it evaluates the existing tax system and recommends options for reform.”

Success requires replacing the whole system

The cumulative failure of a century of tax code “reforms” combined with unlimited growth in entitlement spending and government debt has destroyed public trust in the ability of Congress to control the federal government.

The voluntary consent of the governed—from which the power to tax is derived, and on which any tax system, especially one based on income, depends—is practically lost. The current tax system relies on coerced income withholding, deceptive embedding of taxes in the costs of all goods & services, regulatory complexity beyond human understanding, wholesale intrusions of privacy, judicial intimidation, fear and imprisonment.

Any new “reform” that falls short of replacing the entire federal tax code will be judged by a now-cynical public as simply more of the same: further growth in coercion, deception, complexity, intrusion, and intimidation.

Only one tax base respects freedom

The Advisory Panel must step back from the green-shade economic minutia—the analyses, statistics, comparisons, projections, and political calculations—and **first determine how the power to tax—a power fraught with potential for tyranny—can be made to respect and advance America’s founding principle of human freedom.**

A union based on liberty must restrict this potentially tyrannical power from being levied against the necessary work of individuals to achieve sustenance; otherwise it can easily become a form of slavery to the state. Conversely, when levied against the free choices of individuals to consume beyond their own sustenance, tax power respects the higher power of individual freedom.

Non-essential consumption is an exercise of freedom. Taxing only non-essential consumption preserves the right of individuals to choose how much they contribute to the task of government.

As Alexander Hamilton said in Federalist Paper No. 21, “It is a single advantage of taxes on articles of consumption that they contain in their own nature a security against excess,” and “The amount to be contributed by each citizen will in a degree be at his own option, and can be regulated by an attention to his resources. The rich may be extravagant, the poor can be frugal; and private oppression may always be avoided by a judicious selection of objects proper for such impositions.”

All federal income-based taxes must be replaced

The fundamental principle that calls for taxing only consumption mandates repeal of all federal income-based taxes, including Social Security & Medicare payroll and self-employment taxes.

Taxing only consumption will eliminate at least 95 percent of all tax returns, save \$250 Billion wasted each year in tax compliance costs, and permit collection efficiencies impossible

under a “flat” income tax (which never stays flat) or any hybrid system that includes an income base.

Tax code must be made simple, visible, efficient, fair and incorruptible

Any new tax code should prevent its own corruption by being simple and visible enough to the public to expose and prevent political attempts to manipulate it through special exemptions, hidden embedding, and duplication. Simplicity and visibility will also expose and thus reduce tax evasion.

No federal tax system could be simpler, more visible or more efficient than a single rate sales tax, which can be levied along with sales taxes already collected by 45 of the 50 States.

However, a sales tax that exempts specific categories of goods & services—such as housing, food, or health care—in an effort to avoid taxing essential consumption, invites unfair economic distortions, political manipulation, and regulatory complexity.

So-called “VAT” sales taxes hide the true cost of government from the public by embedding tax and tax compliance costs into goods & services at every stage of production, encouraging unchecked government spending. VAT taxes also require increasingly complex regulations and a massive bureaucracy for administration and enforcement.

Sales tax exemptions and VAT tax schemes also make it practically impossible to prevent or rebate taxes on essential consumption.

The simplest, fairest and most efficient way to tax only non-essential consumption is the FairTax, a pending Bill in Congress which repeals all income-based taxes, levies a single rate tax on all new goods & services sold for final consumption, and issues a monthly rebate to all

individuals and households representing the tax on essential consumption up to the periodically established poverty level. Compared to the current income-based system, the FairTax eliminates highly regressive payroll taxes and makes all taxation equally fair and progressive at all levels of income.

Tax reform must be enacted this year

Critics doubt whether a reform as radical as the FairTax has any chance of becoming a reality. But American history and current events prove that radical reform is essential to the advance of human freedom. Some reforms require sacrifice of life and treasure, while others require only the courage to recognize and remove self-imposed limits on human freedom.

A century of experiment with income-based taxation has proven beyond doubt its utter failure to respect freedom, foster prosperity and restrain the growth of government. It's time to end this failed experiment.

Since 1999 the FairTax Act has earned the favor of more expert research, more private sector advocacy groups, more Congressional cosponsors, and more grassroots support than any other tax reform proposal. Simplistic, transparently phony attacks by its opponents have been exposed and defeated in repeated re-elections of its cosponsors. As a pending Bill, it has reached maturity and now deserves a vote.

Your overriding goal as the President's Advisory Panel must be to take advantage of the brief, rare combination of political elements that makes historic, landmark tax reform possible this year, and recommend a mature tax reform Bill ready for final passage into law: H.R. 25 / S. 25, the FairTax Act.