April 15, 2005

Mr. Jeffrey Kupfer
Executive Director
The President's Advisory Panel on Federal Tax Reform
1440 New York Avenue, NW
Suite 2100
Washington, DC 20220

Dear Mr. Kupfer and the Advisory Panel,

This letter contains a tax reform proposal as requested by the Advisor Panel On Tax Reform to be submitted on or before April 29, 2005.

I first made this proposal to Congress in 1998—one which included specifications for a new computer operating system that would be required to implement the project. I was grateful that Microsoft Corporation, using my project proposal operating system specifications, actually built this operating system as the Microsoft Windows 2000 Datacenter. In 1999, I obtained cost estimates for the software and hardware for this proposal from Microsoft Corporation and Dell Computer. The Microsoft bid was for general software only and did not include my proposed customized software packages. The bid total then was about $2 5 billion. It included an $800 million licensee price concession that I negotiated with Microsoft at the time.

My proposal is to totally and completely automate revenue assessment, collection, disbursement, and all related record-keeping, by using mostly off-the-shelf computer technology. "Total automation" means the complete replacement and elimination of the IRS as it exists today—leaving the management of the system and certain legislative tax revenue formula assessment determinations by Congress as the only human functions involved. For the most part, the human input would involve only a mechanical computer operation and maintenance component that could be easily and economically contracted out. My last bid from Dell Computer for a 24-7 training, operation and maintenance contract for a nationwide revenue collection system was only $23 million per year in 1999.

Regarding April 15th or the tax day for this year, it is reported that Americans spent 6,600,000,000 hours preparing and paying their income taxes With my proposal, that time and expense requirement is reduced to zero. This actual total elimination of the tax reporting and payment burden on behalf of both individuals and businesses is one reason why in the past the Intuit Corporation with its TurboTax software has cooperated so closely with the IRS and Congress to carefully block any chance of my total tax revenue automation proposal from being adopted or even being read and seriously considered.

In all of the different efforts to block the implementation of my automated tax revenue proposal over the years, not one specific technical objection been raised. Actually, it is quite impossible to rationally refute any of the many technical elements of my proposal. In

particular, it is hard to refute that which now plainly exists. After the passage of seven years, and independent of my research, Walmart has now basically duplicated the core part of my tax identification and payment proposal. Anyone wondering about the feasibility of the computer related elements within my proposal need only observe the computer based model that is in full operation at Walmart.

Briefly, the first process stage of my proposal begins when the consumer makes a common purchase and a computer sales tax program within the cash register makes the sales tax percentage assessment, provides the consumer with a receipt that shows the item cost-total including the sales tax total, and at the same time registers the tax amount as an accumulated sales tax debit to be paid by the retailer to the government. To this sales process stage for the basic sales tax and cash register functions that are common now, my proposal adds two additional process elements.

First, instead of the sales tax amount being credited to an accumulated sales tax balance that the company would pay later to the government, the computer program I have crafted immediately transfers the sales tax amount to a government revenue account. When that occurs, the sales tax has not only been paid by the consumer but by the company as well. Through wireless communication, virtually anyone selling anything anywhere, such as in the home of the consumer, can simply use a hand-held computer to complete the same process.

Using my totally automated tax revenue proposal, when the consumer pays, the tax if any is calculated and paid, the government is paid, the consumer gets a receipt, and the government and the business involved have the accounting taken care of for them instantaneously and automatically. Virtually everything is processed in real time. For the business involved, the computer program will provide a running total of both sales and the taxes assessed and paid to the government. For the government, a computer screen will show all of the accumulated collection totals for any instant in time.

Once the assessment is made and the government is paid with the initial transaction, I then add an "official seal" to the consumer's receipt that indicates that the government has been paid. This "seal" that gives the date with a design change everyday involves adding a separate computer program that is quite easy to create This "official seal" on the consumer's receipt then serves as a monitoring device to insure that the tax assessed was indeed paid to the government.

For a number of reasons that I list in the body of my proposal, this official seal affirming that the tax is fully paid will end the untaxed, underground economy and all other forms of tax evasion without one IRS enforcement agent being involved. For details on my automated compliance enforcement provisions, see my RTUADS-IRS-SP (Real Time Universal

Automated Database System IRS Software Package) proposal, Appendix H, "Compliance."

Briefly, specific percentage revenue assessments are made by Congress choosing from among a great many revenue formulas. The price of each specifically identified item sold is automatically calculated with four price levels, high, low, mean, and average. Each revenue assessment formula assesses the item and the price level differently according to the progressiveness of the assessment formulation that is desired. A progressive tax system, as I define it, means that those who are wealthy pay a relatively higher percentage tax assessment than those who are middle class or not wealthy. For example, a highly progressive formulation will not include food or medicines or medical treatment, and will assess the lower price range for the specifically defined item at a lower percentage rate than the percentage rate for the highest price range for the same item. Almost all specific items that are sold are already identified by some computer coding.

The first year of system operation will involve the collection of price data totals for all of the items and services that are sold in the United States. Once these totals are known, a percentage assessment formula can be chosen with a total revenue target that is far more accurate with far more precise knowledge of the future total revenue collection results than exists now. In future stages, the computer programs in this proposal can automatically, in real time, collect and deliver virtually all existing tax assessments to cities, counties, states, and the national government. This is explained in the carefully planned stages of my proposal.

In terms of all of the prodigious data collection and math calculations that number many billions of calculations per second, my proposal describes a highly decentralized data collection and data processing system where the math number totals are "pyramided." What this means is that at each level much larger but far fewer numbers are involved in the calculations. In addition, since revenue collection is only one of the RTUADS computer software programs that I propose, there exist numerous synergies for other data collection and processing programs for the U.S. economy that make it highly worthwhile to completely decentralize the data collection and processing. Therefore, I propose to establish data collection and processing "Centers" that will be located in every city and major town in the United States. This decentralized system with about 3,000 Centers comprised the structural basis for the bids submitted by Microsoft and Dell.

Enclosed are copies concerning various aspects of my proposal as I have explained them in the past. If this panel expresses an interest, I will be pleased to update the various facets of this plan and the computer technology involved. It is remarkable that recent advances in computer technology have made my proposal progressively easier to implement—rendering the technical challenges to be relatively simplistic.
Since this proposal would totally replace the cadaverous IRS, and eventually all

mechanical revenue collection, its considerable scope may sound quite complex. In reality, when it is broken down, its various elements are not really complicated. With Walmart having already completed the core part, much of what I propose already exists in a modified form of operation and needs only to be copied and adapted to government processing scale requirements.

Perhaps the greatest challenge with this proposal is for the proper authorities to read and understand it. Over the years, I have put countless hours into this project to answer every conceivable objection. That in itself makes for a long proposal. In the end, this system will be seen to be the final revenue collection solution simply because it moves revenue collection from the horse and buggy age into the modern computer age. Moreover, the relatively brief time it will take to read, understand, and even to implement it is purely dwarfed by the six billion hours the public spends on preparing and paying taxes each year.

To summarize, there exists no real barrier to prevent this proposal from being implemented. In many respects, Walmart already has implemented my core technology proposal as it serves the sales tax purposes of a retail business. Walmart duplicated the core computer technology in my proposal to automate sales tax identification, collection, and payment. Basically, the U.S. government performs these same functions in the IRS revenue collection process. It would appear that if one of America's most successful businesses found such real time efficiencies and benefits worthwhile, the U.S. government should as well.

The ultimate reality is that for identifying, collecting and processing tax revenue, the process for both Walmart and the government is, as I explain in my proposal, essentially the same, and the automated mechanical approach in use now by Walmart would, with some revisions, work quite well for the U.S. government. Indeed, if Walmart had any need for the revenue processing approach I am proposing for the government, this approach would already be implemented and in existence to avoid the alternative of massive inefficiency and economic waste.

Today, Microsoft, IBM, Hewlett Packard, and Dell Computer could also all handle the implementation of this project. The answering bids I received from Microsoft and Dell Computer in offering a similar proposal in 1999 can be easily updated by any of these companies if necessary.

Finally, as a critical issue that must be understood, it is worthwhile to repeat that any objection that the present IRS system still remains more progressive than my proposed automated system is simply not factual. My RTUADS-IRS-SP proposal, Appendix I, "The Most Progressive Revenue Formula of All" as enclosed explains why this is not factual. What is factual is that by using the latest in computer technology and the various

assessment formulations this technology makes possible, it is quite easy mathematically to create a formula for revenue assessment that is clearly more progressive than the present IRS tax assessment system.

Therefore, the only implementation variable left is simply the political will to do it. As Alan Greenspan has recently testified to the Advisory Panel, the idea of merely patching the inadequate and inefficient existing antediluvian taxation system one more time is politically much easier than replacing it. What will be patched for the umteenth time is a 6.6 billion man-hour public time requirement that is the virtual epitome of economic waste.

Why continue to accept the estimated 6,600,000,000 man-hours of public cost and inconvenience each year when there could be no hours, no cost, and no public inconvenience? Do we ad infinitum continue to lack the political will that is required to get rid of the 6,600,000,000 hours of wasted American energy? Why not replace this system that is obviously very inefficient and wasteful for the economy with an automated revenue system that is obviously extremely efficient and extremely beneficial for the economy?

I politely challenge anyone to offer any technical reason why my proposal or any element within it will not work. There is no convincing rationale that can disprove that the solution I offer is not more progressive and infinitely more efficient than the Rube Goldberg structure that is constantly being patched and re-patched in all-out effort that is repeated continuously to adapt a "horse and buggy" tax system to a modern age.

With the modern age of computer technology already transforming our world by what is technically feasible, the public has suffered unnecessarily for at least seven years under this nation's outdated tax system We can all work to end that unnecessary suffering now.

My thanks to President Bush for creating this outstanding Advisory Panel, and my best wishes to this Panel in its valiant effort to step forward and truly help our nation.

Very sincerely,

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**Thomas A Gihring**

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18 April 2005

The President's Advisory Panel on Federal Tax Reform
1440 New York Avenue NW
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Dear Tax-Reform Panel members:

President Bush has charged the bipartisan panel with recommending reforms to the tax code that will make the U.S. tax system simpler, fairer and more growth oriented. That is encouraging because there is a difference between fair, progressive taxes, and unfair, regressive taxes. The latter category includes those that cause a "deadweight loss" - a loss of economic output caused by distorted incentives created by a tax.

Taxes on wages, for example, discourage people from working. Taxes on investments discourage people from investing. Both kinds of taxes run counter to the reform principle of economic efficiency. A tax tends to diminish the base upon which it is based. Thus, what is in the public interest should be taxed less: job growth, commerce, and capital investment, and what is not desirable should be taxed more: land and resource consumption. This would encourage resource conservation and help prevent environmental pollution.

One of the fairest and most efficient taxes conceivable is a **national land value tax:** a property tax that exempts building values. It would be calculated on the basis of county assessments, and apply to all taxable real estate. The market value of land represents community-created value, or the speculative value of real estate. A tax on land value does not in any way appropriate the capital value created by individual property owners - the value of buildings. Estimates conclude that about 20% of the nation's wealth is derived from land price inflation - annual increases in land value. But, when untaxed, this drives speculative boom-bust cycles.

Perhaps the biggest advantage of the land tax is that it would help promote an "ownership society" by making home ownership affordable to many more families. This would occur because a broad-based tax on land values would dampen residential land price inflation, which is now the most rapidly growing component of housing price.

Several states besides Pennsylvania (where the land tax was introduced) are now considering legislation to raise the property tax rate on land assessments and reduce the building tax rate proportionately. A national tax aimed at the same objective would actually help these states accomplish their goals related to smart growth and housing affordability, not to mention fairness and equity in the tax codes.

Sincerely,

Thomas A. Gihring