

PRESIDENT'S ADVISORY
PANEL
ON FEDERAL TAX REFORM

1103 Col. Anderson Parkway
Louisville, Ky 40222
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2005 APR 34 P 1: 47

Dear tax-reform panel:

One of the ideas you are weighing is some sort of consumption tax

In converting to a consumption tax, you could severely harm Americans who have diligently saved for college and retirement.

Much of the money we have saved has already been subjected to a heavy income tax. To tax that money again by imposing a consumption tax amounts to confiscation through double taxation.

An example: Ten years ago, I wished to save a dollar for retirement. First that dollar was subjected to 28 percent federal income tax and, in my state, a 6 percent income tax. The government allowed me to have 66 cents of that dollar for savings.

Now, imagine a consumption tax of 21 percent (this figure has been thrown around as the number needed to eliminate the income tax). When I spend my retirement savings and thus pay the consumption tax, my dollar will have been reduced to 52 cents.

I tried to save a dollar, but government took half of it.

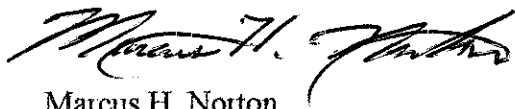
A consumption tax also would shatter the promise of Roth IRAs. The federal government would, in effect, be telling millions of us that its promises are worthless, that encouraging us to save was a double-dealing scam that must yield to the government's implacable thirst for money.

Under a consumption tax, the only way to avoid harming the most diligent and disciplined Americans is to somehow grant a tax exemption when after-tax savings are spent.

President Bush does not want his legacy to include severely harming America's most diligent and disciplined. He wants to affirm and encourage us.

To do otherwise would be the equivalent of a farmer plowing under his best crops so he would have more time to spend with his barren land.

Sincerely,



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