

PRESIDENT'S ADVISORY
PANEL
ON FEDERAL TAX REFORM

Request for Comments #3

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Following Two-Day Public Meeting

(Submission due June 10, 2005)

The President's Advisory Panel on Federal Tax Reform

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In contrast to an income based tax system, the Fair Tax plan actually creates boost rather than drag on the economy. Simply why keep a large costly bureaucracy when another system already in place can do the full job more simply, more fairly, more transparently, and more efficiently?

The only negative possible that I can conceive is for some the loss of existing tax loopholes beneficial to them. What that means is that the only “negative” is the loss of inequities in the current system that are favorable to certain people. When the only negative is that the playing field is flattened and cleared, inequities removed, you don’t have any negatives. Every honest citizen in the country benefits.

We’ve got an engine getting barely a single mile to the gallon (the IRS and our national economy), and can’t afford to actually go anywhere in this car (seems we’re actually moving backwards with debt increases, trade imbalance increases, etc). Meanwhile, we’ve just been offered an engine that gets 65 miles to the gallon (Fair Tax – hundreds of billions saved in compliance for individuals and businesses and by the elimination of the operational and maintenance cost of the IRS, multiple efficiency and economic boosting aspects), and all we have to do is the labor of pulling out the old really complicated one that’s broke and putting in the new really simple one! And the better news is that most of the new engine is already in place (sales tax systems) and just needs some fairly simple tweaking that will actually strengthen all the parts (states earn additional revenue for something they already do -- collecting sales tax....)

The concerns I heard from the panel that day on the Fair Tax were questions on the revenue-neutral rate, compliance enforcement and, more much more subtly, whether enough support could be mustered to get the legislation through. Well the numbers I’ve

seen are convincing to this layman that it would successfully be revenue-neutral, and I read that the FairTax.org folks have solid documentation of the voracity of that claim for the economists, as well as a very solid depth of data to back it. For compliance, the system is benefited from the outset by there being much less incentive to cheat or evade in the first place, in part because an individual's taxes are paid and collected in many smaller, individual chunks, our new-goods purchases. From my perception, efforts to defraud would probably involve or require complicity and risk by others reducing both its allure as well as ease of undetection still more. While we all know there will always be people trying to cheat the system and figuring out ways to do it, the more transparent and simple a system, the easier it is to enforce and detect fraud or evasion – is a simpler more transparent system even possible? As for support, (or I heard the term “political will” used), aside from winning the lottery, I find no concept as universally appealing or exciting as everybody being able to take home 100% of their paycheck to do with as they choose. The politicians who participate in giving that to the people will have a legacy of positive economic impact like no other in and for MANY decades to come.

I repeat the thought that goes through my head pretty frequently since hearing about the FairTax plan: “What are we waiting for?!!!!?”

Sincerely,

A handwritten signature in black ink that reads "Patrick B. Gibbons IV". The signature is written in a cursive, flowing style.

Patrick B. Gibbons IV