

**FIRST Things FIRST**

April 14, 2005

The President's Advisory Panel on Federal Tax Reform  
1440 New York Avenue NW  
Suite 2100  
Washington, DC 20220

PRESIDENT'S ADVISORY  
PANEL  
ON FEDERAL TAX REFORM  
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Gentlemen:

Revenue Proposal

This is a proposal for the President's Advisory Panel on Federal Tax Reform

I Description of Proposal. Proposals for comprehensive reform should include a description of the design of the proposal's components, including the following:

- Ø the tax base (income, consumption, hybrid)
  - 1 Choose one fair tax base, eliminating multiple taxation completely. The freedom of all individuals to acquire property (income) is taxed as being the most fair tax base.
- Ø exemptions, deductions, credits and exclusions
  - 2 No deductions, exceptions, loopholes, credits or deferments
- Ø tax rate(s)
  - 3 Adjust tax rate from individual subsistence level incomes up, correlated to balanced budget numbers and the expanding high low income ratio. Total budget expenditures are measured against a progressive tax rate to balance the budget. This is a closed end, self correcting budgetary process. High low income ratio is held at a constant as a matter of fairness.
- Ø distribution of the tax burden (including provisions for relief for low-income individuals);
  - 4 Retain current Earned Income Credit provision
- Ø treatment of charitable giving
  - 5 No special treatment, deductions, exceptions, loopholes, credits or deferments
- Ø treatment of home ownership
  - 6 No special treatment, deductions, exceptions, loopholes, credits or deferments
- Ø collection method(s) and

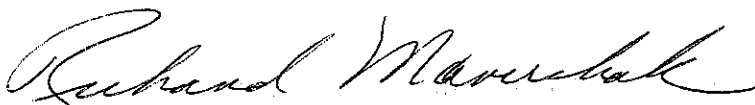
possible, the assumptions made in estimating the revenue impact

- 13 This tax code is closely integrated and correlated with a revised budgetary process. The tax rate is set flat revenue neutral and adjusted from the subsistence level income up, progressing incrementally to a higher rate on upper level incomes correlated to balanced budget numbers and expanding high low income ratio. Determine spending priorities, separate from balancing the budget. Total additional budget expenditures are measured against a progressive tax rate to balance the budget. This is a closed end, self corrected budgetary process.
- 14 Budget payments of the generational national debt and fund reserves.
- 15 Limit additional debt to amortized depreciable infrastructure.
- 16 Charge direct fees to cover cost of special services.
- 17 Eliminate extraneous fees, excise, gift and inheritance taxes.
- 18 Maintain a liquid cash position of operating funds. Credit budgetary cash balances to operating funds. Eliminate budgetary carryover account cash balances
- 19 Maintain a liquid emergency reserve fund
  
- 20 Modify and alter the Social Security and Medicare programs as a State responsibility to provide subsistence and health care levels to the indigent, disabled, unemployed persons and their children. Viable persons provide for their own well being, including pensions, insurance, drugs and health care. Eliminate third party payments.
  
- 21 Congress regulates competitive fair trade, the utilities and the natural resources. Eliminate greed, deception, pork barrel legislation, lobbied subsidies, conflict of interest, unwarranted central power and economic control from the Federal Government
  
- 22 Establish a new tax code and a budgetary process. Stage adjustments gradually.

Current Federal Government policies and programs are not sustainable. The Federal treasury is empty, running a deficit. Credit is not used properly. The Federal Government must utilize a cost accountant agency that knows how to keep books and use value analysis concepts.

The Federal Treasury must issue a basic understandable report, annually and quarterly, including income, expense accounts and a balance sheet to all tax payers within a month of fiscal closing. Fixed categories and continuity are imperative. Individual per average taxpayer numbers would be preferable.

Hold Congressional members to a higher level of statesmanship and fiduciary professionalism.



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Richard Marushak