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To: The President's Advisory Panel  
on Federal Tax Reform

Gentlemen:

Please look over my plan for tax reform, "The Simple Option Tax Plan". A key feature of this plan is that the individual taxpayer may choose, on an annual basis, whether to file under the current system, or file under "The Simple Option Tax Plan".

Sincerely,

Roger S. Hoffman

PRESIDENT'S ADVISORY  
PANEL  
ON FEDERAL TAX REFORM

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The Simple Option Tax Plan

by Roger S. Hoffman

- (1) Start with Adjusted Gross Income
- (2) Subtract 40% of Long-Term Net Capital Gain Income (Income on the sale of capital assets held for more than 365 days) to get to Modified Adjusted Gross Income.

\* Please  
See  
Note  
Below

[If the taxpayer has a Long-Term Net Capital Loss it would be deductible in full as a component of Adjusted Gross Income.]

- (3) Basic Personal Allowance
  - a) \$25,000 Married, Filing Jointly
  - b) \$12,500 Single
  - c) \$16,300 Single, Head of Household

[These amounts would be indexed to consumer price inflation, and indexed to the growth of real personal income as well.]

\* Note: This plan was written in 2001. At this time, I would allow the taxpayer to also subtract 40% of his qualified cash dividends.

The Simple Option Tax Plan, Notes Thereto

- (1) The Taxpayer may elect to file and pay his taxes under the “Simple Option Tax Plan”, or he may elect to file and pay under the current income tax system. The choice belongs to the Taxpayer. And the choice is to be made annually.
- (2) If the Taxpayer elects to file and pay his taxes under the “Simple Option Tax Plan”, then he is exempt from the alternative minimum tax.
- (3) As used herein, the term Adjusted Gross Income is a net amount. This means that all legitimate business and investment expenses are deducted before arriving at the Adjusted Gross Income figure.
- (4) Long-Term Capital Gain Income is also indexed for price inflation. (The cost basis of the asset is indexed to the C.P.I. over the holding period.)

Advantages of “The Simple Option Tax Plan”

- 1) Very simple and transparent
- 2) Fair for every taxpayer, while not punishing any taxpayer
- 3) Inexpensive to administer and comply with
- 4) Drops many lower income people from the tax rolls entirely
- 5) Minimizes audit abuses, both the routine type of abuse, as well as the politically motivated variety of abuse
- 6) Encourages long-term savings and investment
- 7) An honest system that should help to establish faith in our individual income tax code
- 8) Substantially reduces the ability of Congress to engage in social engineering through the individual income tax system