Defining The
Problem

Why Tax Reform is Necessary
The Problem That faces Us & Why Tax Reform is even Necessary

The reason why Ross Perot captured 20% of the popular vote in 1992 and the subsequent 1994 sweeping victory of Congress by the Republicans is illustrative of why tax reform is necessary. In a recent poll conducted by Time-CNN between March 29-30, 1995 (figure #3), a shocking number of Americans feel very strongly that their tax burdens are in dire need of reform. A total of 56% of the respondents want at least some form of MAJOR change. Some 34% were in favor of MINOR changes, 7% had no opinion and only 3% said they were happy with things as they are! Whenever you have 90% of the population demanding some sort of change to the current tax system, those feelings are transposed into voting patterns.

The surprising aspect of this issue is the fact that polls as far back as 1989 reflect that tax reform has been a growing yet silent problem. In a Time/YCS poll of January 10, 1989 (figure #4), several questions were asked about the need to reduce the deficit. In fact, 52% of the respondents stated that they were opposed to raising taxes to balance the budget. When asked if taxes had to be raised, what form of taxation would they prefer to pay, the results were clear as to what type of tax reform would eventually become popular. In this poll, only 15% of the
participants replied that they were in favor of income taxes. A surprising 26% favored raising excise taxes while the largest group, some 44%, preferred a national sales tax!

Of course NOT all polls are fair or honest. Many who support the Flat Tax cleverly construct polls to support their own case. In a Newsweek poll conducted April 6-7, 1995, the question posed was as follows:

"Which one of the following three tax systems do you most prefer:
- a) the current system - with tax rates from 15 to 39% with all existing deductions credits and exemptions
- b) a flat tax system where every person and corporation pays the same flat rate - about 20% - with only deductions for home mortgages and charitable contributions
- c) a flat tax system where every person and corporation pays a flat rate of 17% - with no deductions, credits or exemptions at all."

The responses to this poll were 27% in favor of the current system, 32% in favor of the 20% flat tax, 29% were for the 17% flat tax and 12% had no opinion. While some proponents of the Flat Tax love to argue that the majority are in favor of a Flat Tax, evidence shows that when the option of a retail sales tax is NOT provided in the poll, or has been distorted in some way, then and ONLY then will the majority favor a Flat Tax. But also note that 29% preferred no change compared to a Flat Tax! What this poll REALLY shows is that the Flat Tax proposals DO NOT represent MAJOR change in the eyes of the voters!

Proposition 187 in California is another clear example of how the tax burden is beginning to be reflected in social issues. The rising cost of taxation in its combined form has been significant. The sheer amount of illegal aliens that have migrated to California has highlighted the basic flaw with the system of a DIRECT form of income tax. Illegal aliens are still entitled to have their children educated, show up at a hospital and demand care, yet at the same time they would not dare file an income tax return out of fear of being deported. This problem of a vast expanding underground economy is the direct by-product of our current tax system. The solutions are either to be much more aggressive in our tax collections and building a new form of the Berlin Wall to keep the people OUT of the United States, or recognize the problem and change the system that is causing this growing problem. Even Florida filed suit against the federal government due to the rising burden to legal taxpayers in the state to fund the migrants from Cuba, Haiti and other nations.

In our own direct studies we have found that tax reform, when all the options are provided, routinely comes down in favor of scraping the income tax and replacing it with a much fairer system of a retail sales tax. Under such a system, the question of the rich being able to hire fancy tax attorneys becomes mute. After 40 years of the Democrats constantly arguing that rich do not pay their fair share, only a retail sales tax is seen as being truly fair. Since when the millionaire buys a yacht, he will be unable to hire an attorney to avoid paying the sales tax. What is necessary, however, is that basic UNPREPARED food, housing rent and health care services are exempt from the sales tax. This will provide a basic package of relief for the poor since they do not participate as much in the durable goods marketplace. The issue MUST be fairness. Lobbyists will be UNABLE to gain access for special interests since any tax exemption will be required on an industry-wide basis forcing such deals to be in the full light of day for one and all to see.
MAKE THE RICH PAY THEIR FAIR SHARE
BUT WHO EXACTLY ARE THE RICH?

While the slogan of taxing the "rich" has been exploited in Washington for decades, the dishonest manipulation of the tax code has sought to extract greater revenue from the middle class while pretending to be concerned about the rich. The top personal income tax rate in 1940 stood at 81.1% with an IRS definition of the rich being $5 million. While the first major tax cut was spearheaded by John F. Kennedy in an effort to stimulate the economy, any tax cut is always characterized as benefiting the rich more so than the middle class. While the tax rate has been cut sharply under Ronald Reagan, so has the definition of the rich! The top income tax bracket has steadily declined over the years (Figure #5) to the point that the once 1940 definition of the rich fell to a mere $51,900 by 1992. The Clinton tax hike, which sought to "make the rich pay their fair share," merely added a higher bracket at $250,000 without providing relief for those who found themselves suddenly classified as "rich" according to the previous IRS definition.

Another problem that we face has been the constant revision of historical facts designed to justify a political and economic agenda. Countless times we hear that Ronald Reagan's tax cuts were merely "trickle down economics" that allowed the rich to get richer at the expense of the poor. We also hear how the national debt DOUBLED during Ronald Reagan's 8 years as a direct result of his tax cuts. The challenge here is to sort out the facts from the political rhetoric.

1) NATIONAL DEBT: while it is true that the national debt DOUBLED under Ronald Reagan's watch, what is NOT fully explained is the fact that since that time the national
debt has TRIPLED rising from $2 trillion and now approaching $6 trillion despite the numerous tax hikes that have taken place since that time period. The truth of the matter is that Reagan actually BALANCED THE BUDGET between spending and revenue. The $1 trillion rise in the national debt took place as a function of the debt itself. The interest expenditures for Reagan's 8 years were $1 trillion by themselves. In other words, it didn't matter who was president or what the political philosophy might have been. At 8% you DOUBLE your money in a bank in less than 10 years. The same is true when the government borrows funds - the debt will double once every 8 to 10 years.

2) DID ONLY THE RICH GET RICHER UNDER REAGAN: A non-political review of history and the evidence as supplied to us by the IRS reveals a shocking development. The number of returns filed at the IRS with incomes less than $20,000 declined from 58.8% to 47.2% under the Reagan tax cuts - an decrease of 11%. The middle class returns between $20,000 and $75,000 rose from 39.4% to 46.7% - an increase of about 7%. The returns filed between $75,000 and $1 million rose from 1.9% to 6.1% - for an increase of nearly 4%. Returns in excess of $1 million finally reached .1% by 1990. The greatest number of people that benefited were those who earned BELOW $75,000 - not the rich. Yet whenever politically motivated reviews are conducted, they focus exclusively on the "rich" who increased from 1.9% to 6.1%. Earnings under $1 million are largely the professional segment of society and hardly represent the filthy rich but rather the upper middle class. We must ask ourselves, should we tolerate a tax increase for all just to accomplish a social goal of making this 6% of taxpayers pay more? (Figure #6)
The Reagan Tax Cuts produced a sharp rise in total revenue received from the top income earners between 1983 (2.2%) and 1990 (6.4%). At the same time, the income from the lower income earners showed a significant decline in the proportion that they contributed to the total revenue of the US Federal Government.

Source: US Internal Revenue Service

The Reagan Tax Cuts had a direct impact upon creating jobs and helping to raise the standard of living for the middle class between 1983 and 1990 as evidenced by the IRS data on the total number of returns filed. Incomes under $20,000 declined from 58.8% to 47.2% while incomes between $20,000 & $75,000 rose from 39.4% to 46.7%.

Source: US Internal Revenue Service

Figure #6
THE PROBLEMS FACED BY THE AMERICAN FAMILY UNDER THE CURRENT TAX SYSTEM

The rising frustration over taxation can be easily justified by looking at the tax burden of the median American Family. There is little doubt that while government has supposedly pursued taxing the rich, the fallout has always, and without exception, come down to increase the burden upon the middle class family. Back in 1964, the median family was able to support itself on one income since the taxes consumed only 25% of their gross income. By 1992, the tax burden upon the median family has now risen to 36%. This serious rise in overall taxation has contributed greatly to the gradual decline in the standard of living and general destruction of the family unit itself. All the studies of divorce show that the number ONE issue that couples argue over is their finances. As the net disposable income declines, divorce appears to rise apparently out of increased tension.

In part, the plight of the American family has been caused by the steady lowering of the top income tax bracket that has sought to reclassify larger segments of our population as "rich." Secondly, the natural course of inflation has also contributed to the decline of disposable income for the family unit. For example, an income of $50,000 during the mid-1960s was considered rich and therefore taxed at 50%. While an income of $50,000 during the 1960s would have paid in full for a home, two cars and a savings account of $20,000 to spare, that same 50% bracket was still applied just prior to Ronald Reagan's era (see tax tables Appendix B). As inflation pushed the average household income of the family into the tax brackets that were once intended for the rich, economic growth declined, divorce increased and the standard of living was seriously reduced on a nationwide basis.

Decline in US Standard of Living

has been caused in part by the huge increase in the cost of government as evidenced by Median Family Taxation

<table>
<thead>
<tr>
<th>1964</th>
<th>1992</th>
</tr>
</thead>
<tbody>
<tr>
<td>[Graph showing tax distribution]</td>
<td></td>
</tr>
</tbody>
</table>

Note: State and local taxes are not included in the above perspective. Depending upon the area of residence, the total taxation may exceed the 50% level in some states.

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THE DISCRIMINATION AGAINST WOMEN BY THE INCREASING TAX BURDEN

Currently, women in society may have won the battle for equal rights in many sectors, but they have lost the war and their economic freedom under tax code. A young mother no longer has the option to remain at home with the children as she once enjoyed during the 1950s and 1960s. The rising tax burden upon the median family has risen from 25% in 1964 to 35% by 1992. In the quest for government's constant need to promise more, economic freedom of both women and the American family have suffered. There are no angels to sit in judgment of man in Washington, only self-interest and biased political half-truths. For far too long, Washington has ignored its impact upon the very people that they so professes to have this great concern. We must realize that by promising the Moon, we are blocking the sunlight of economic freedom and ultimately liberty. There is a final cost for every program devised by Congress. What good are programs intent upon helping the family if the mother is forced to leave her children in order to work in an effort to pay the increased tax cost of those programs designed to make her life better?

IRS DISCRIMINATION AGAINST DIVORCED COUPLES

The unfairness of the current income tax against divorced couples is a leading factor in creating dead-beat dads and further undermining the American Family. Child support is not deductible according to the income tax code and any flat tax proposal will only worsen this discrimination against divorced families. In the light of liberal court decisions, a divorced spouse often finds a substantial proportion of his income is appropriated by the court. The IRS continues to look at the gross salary irrespective of such a court order. Between the child support and the IRS, a spouse will often find that his net disposable income is not sufficient to restart their life. In one particular case, the court's solution was to order the spouse to find a higher paying job or face jail. Such solutions are possible in theory, but are next to impossible in reality. Often faced with harsh alternatives and a domestic situation that has been used as punishment rather than social justice, the spouse has little choice but to flee. Since divorce has become a huge part of the American way of life, we cannot tolerate the threat of imprisoning one third of the population while not a single common sense approach to the financial reality is considered. Any form of an income tax that seeks to continue the direct approach of accountability on an individual basis is simply going to continue the slow and gradual social decay that now faces our nation. We must not allow the continuance of the current system of turning a blind eye to the economics of this issue. Any reform must take into account the realities of this very serious problem. We must also avoid reforms such as that of Michigan, which seeks to merely make divorce more difficult rather than readdress the underlying economic problems created by our tax code.

INCOME TAX DISCRIMINATION AGAINST AMERICAN CITIZENS

Proposition 187 in California is really an issue whereby government has also openly discriminated against the average American middle-class. By default, the tax code of the US rewards those who exist outside the tax system or enter this nation illegally. The income tax in this nation has given notice to the everyone, that they are better off remaining outside the tax system where one will receive all the benefits of welfare, school, health and social
programs without contributing to society by paying income taxes. You cannot oppose the will of the people on the grounds that government knows better based upon a philosophy that fails to stand the test of reality. No flat tax will ever end this basic discrimination against the American citizen in favor of illegal aliens and the cash-based element of the service industry. As a nation, government can no longer ignore this growing problem and the Flat Tax proposals will do nothing to end the discrimination against our own citizens or curb the growing number of sweat shops within our own borders.

WHY INHERITANCE TAXES REDUCE ECONOMIC GROWTH

Inheritance taxes are often portrayed as social justice against the rich who leave their children to face life with a silver spoon in their mouth. Like anything else in the tax code, inheritance taxes are more concerned about raising revenue than its economic effect upon society as a whole. Citing extreme cases where the children of billionaires have it made is not a reason to subject the entire nation to a punitive regulation in order to attack less than one-tenth of one-percent of the population. Inheritance taxes have succeeded in destroying countless jobs as middle-class self-employed families find themselves unable to pay the taxes on the entire value of the business. In the case of farmers, often land had to be sold and the farm reduced in an effort to pay for the taxes because the title of ownership was passing from one generation to another. This form of taxation displays little distinction from the British system of long lease and does little to promote long-term economic growth. If businesses are not allowed to pass from one generation to the next, how will we create the next GM for the 21st century?

SOCIAL SECURITY & MEDICARE REFORM
MUST BE PART OF TAX REFORM

Many millions of Americans currently pay more in-Social Security taxes than they do in income taxes. The trend toward higher SS taxes has been underway particularly since 1976. Despite the rhetoric that leaves one to believe that taxes would be reduced under supply-side economics, the truth of that matter left a lot to be desired. In 1976 the SS tax rate stood at 5.85% and by 1994 that rate had risen to 7.65% - an increase of 30.76%. The SS fund is actually in surplus and the excess revenue is acting as a slush fund for general spending. Nowhere in the Flat Tax proposal do we find a clause to take SS off-budget and on the road to an honest trust fund as is the case in many other nations. No private sector pension plan would be allowed to take its employee’s contributions and commingle it with general expenditures. Such activity is deemed to be a criminal act according to Congress. Part of the pledge that Congress will live by the rules it imposes upon the private sector should include the end of this exempt criminal behavior (as defined by Congress) with respect to SS. There is also no guarantee that Congress can avoid a tax cut by raising SS taxes as has been the case for the past two decades. As part of any tax reform, the American people are entitled to an honest redress of the SS system by placing it completely off-budget and out of the hands of Congress who uses those funds by restricting their investment in government bonds thereby funding other social programs.

The same is true of ALL the trust funds - including Medicare. There is no honest separation between such trust funds and that of the general pot of spending. This was made clear when the government shut-down of 1995 took place and the Treasury was
able to shift funds around to avoid an outright default. In fact, the Treasury appears capable of funding itself 1 year ahead even if Congress refused to extend its authority to borrow money. All we are doing is raising taxes under Medicare and Social Security and spending them through our general accounts. Who really knows what is going on?

WHY GOVERNMENT HAS LOST THE CONFIDENCE OF CAPITAL

Over the past 3 decades, there is NOT a single 4 year period in time where the tax code of the United States has not been changed either in rates (see Figure #8) or by tinkering with deductions. This highly volatile manipulation of the tax code has been caused by not merely misguided economic philosophy, but also a serious lack of understanding with respect to "real" world factors. Nowhere in Washington can one find an understanding beyond the mindless use of static models. Government routinely exploits capital as a dishonest means of buying votes. This habit is no different from that of which ruined the Roman Empire as described by Cicero or Virgil. Capital has come to realize that government cannot be trusted with the affairs of taxation. Deals that government makes today are reneged upon by the next session of Congress. No income tax, flat or graduated, will ever be successful in restoring that confidence since history has demonstrated that the word of Congress is far from an oath. Plants and facilities as well as legal headquarters cannot be moved on the drop of a dime. In the "real world" such major strategic decisions take years and without a solid track record of maintaining a stable tax code, no income tax will restore the necessary confidence that is vital to recreating a true economic boom.

![US Top Income Tax Rate](Image)

*US economy has suffered from a constant political manipulation of the core tax rates predicated solely upon social philosophy rather than sound economic policy.*

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CAPITAL GAINS - AN ISSUE OF VITAL CONCERN FOR ALL

While many politicians would have us believe that capital gains affect only the rich, there are several key issues at stake that are of vital interest for all taxpayers and the nation as a whole.

1) Many Americans recently discovered during the decline in real estate prices, that if they sold their home at a profit it was subject to capital gains. However, if they sold their home at a loss, that loss was not deductible against their normal income. This system of blatantly unfair tax codes where you pay on your winnings but cannot write off your losses, is indicative of the punitive treatment our tax code has been inflicting for years.

2) The fact that capital gains are not indexed to inflation, as normal income has been since the Reagan tax reform era, continues to alter the very course of job creation and economic growth. As small investors from the middle class have discovered, you are often better-off moving from one mutual fund to another in order to avoid capital gains classification. Consequently, this constant movement for tax purposes places pressure upon fund managers to maintain high short-term performance levels. This is then translated into pressure that is applied to the board rooms throughout America. If IBM were to cut its dividend by half in order to fund some new super computer development for the next century, fund managers would begin to sell. Without short-term performance, they cannot maintain their shareholders. Instead of the tax code encouraging long-term investment, the unfair treatment of capital gains has been silently creating a generation of short-term speculators rather than long-term investors. This trend has seriously disadvantaged the American corporate structure and allowed nations like Japan to rise upon the back of our weakness. Any tax reform must reverse this serious problem if there is any hope of revitalizing our nation for the global competition that faces us beyond 2000.

WHY THE CURRENT INCOME TAX SYSTEM CAUSES CORPORATE MERGERS & LOSS OF JOBS

The current income tax system is based with an exclusive perspective of gross dollars earned. Nowhere within the tax debate do we hear a understanding of how capital actually makes an investment decision. If two companies approach you, one offering an 8% dividend and the other a 4% dividend, which stock would you buy if the risks were equal? It doesn’t require a Nobel prize to figure out that the 8% offer is a better deal than the 4%. Capital investments are based on the RATE OF RETURN on its investment. However, our income tax is based on a gross basis without regard to how much capital was required to produce those profits. We all demanded better gas mileage from auto makers because we wanted a more efficient means of moving from point A to point B. The problem that American industry faces is also an issue of efficiency. The larger a company becomes, the greater the tendency for profits to gradually decline from a rate of return basis. When companies merge, they are NOT trying to simply increase profits as some would have us believe. Instead, companies are trying to maintain a reasonable rate of return upon their capitalization. As small computer companies emerge, like Dell Computer, sales tend to soar and
the rate of return on investment capital is much higher than at IBM. Eventually, the need to maintain higher rates of return force larger companies to look toward mergers in an effort to reduce costs while improving market share. The fallout from this trend is the loss of jobs. As a result, the tax code has reversed the American way of life where once working for a big company meant job security. Now, working for a small to medium size company tends to offer better job security as mergers and downsizing have affected everyone from the auto companies and IBM to AT&T.

EXAMPLE:
Assuming a Flat 17% Tax Rate
Expressed in Millions of US Dollars

<table>
<thead>
<tr>
<th>COMPANY A</th>
<th>COMPANY B</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gross Sales</td>
<td>$11,000</td>
</tr>
<tr>
<td>Total Cost of Operation</td>
<td>$10,000</td>
</tr>
<tr>
<td>Gross Taxable Profit</td>
<td>$1,000</td>
</tr>
<tr>
<td>Net Tax Paid</td>
<td>$170</td>
</tr>
<tr>
<td>Retained Earnings</td>
<td>$830</td>
</tr>
<tr>
<td>Earnings as % Cost</td>
<td>8.3%</td>
</tr>
</tbody>
</table>

Through these two examples, it is easy to see that any income tax routinely discriminates against large corporations and ultimately contributes to a slow and gradual decline of the vital element that attracts investment - return on capital. Restrained by the the lack of understanding on the part of government, business is ultimately forced offshore in search of reducing its cost base or to promote a merger further reducing competition. Currently, more than 50% of the US trade deficit is made up of US companies importing their own goods manufactured somewhere else... Tax reform MUST realize the need to address this very serious issue. Even a Flat Tax does NOTHING to stop this trend and in fact may even accelerate it in the years ahead.

SOLUTION:

- 1) We MUST end the discrimination against larger companies by the tax code.
- 2) We need a basic income tax rate of 15% on companies who produce gross profits that are within twice the cost to produce such profits.
- 3) A second bracket of income tax for companies should NOT be based upon gross dollars generated, but instead if gross profits are greater than twice the cost to produce such profits, then and only then should these be a 25% level of tax.
INCOME TAX DISCRIMINATES AGAINST AMERICAN HOLDERS OF US FEDERAL DEBT

It is assumed that if government borrows to fund a deficit that it is somehow less inflationary than printing money. While we might not argue this fact in an isolated situation where a deficit was only temporary, we do take serious issue with this notion that we are borrowing from ourselves. At times 40% of the US national debt has resided in the hands of non-US capital. Congress's astute acknowledgment that they remain dependent upon attracting foreign capital to fund their deficits, has resulted in the taxation of interest earned by non-US capital being virtually nil. An American seeking to buy the bonds of his own nation is NOT exempt from this tax burden. As a direct result, a vast amount of US interest expenditures of the federal government are exported to foreign lands. This being the case, it also follows that increasing government spending in an effort to stimulate the domestic economy has also had a diminishing economic effect. As interest expenditures have risen to 15% of total government expenditures, an ever increasing amount of total expenditure is being diverted from the domestic economy. We are NO LONGER borrowing from ourselves. Any tax reform must end this discrimination of domestic holders of our national debt and a concerted effort must be made to shift that capital back to the domestic economy where at least some economic stimulus is possible.

INCOME TAXES ENCOURAGE OFFSHORE INVESTMENT

In 1985, the largest futures fund stood at around $100 million. Today, billion dollar funds are a dime a dozen. The estimates of the offshore capital markets range between $2 and $4 trillion. This huge pool of capital is running around the globe attacking currencies, bonds and share markets without allegiance to any one nation. This pool of capital is NOT exclusively US in origin but rather it is growing from the increased capital flight on a global basis. No form of income tax will ever encourage this capital to return home to the United States. As long as some reporting is required, even if it were only a postcard, the right to privacy is lost. As a result, only a retail sales tax and the abolishment of personal income taxes would serve to attract this capital back onshore. The higher the tax rates, the higher the rate of interest as capital leaves the domestic market causing a decline in supply and a rise in price, which is ultimately the rate of interest.

IRS INTERPRETATIONS MUST BE PROHIBITED - CONGRESS MUST END ITS DELEGATING OF AUTHORITY TO ALL AGENCIES FOR DRAFTING OF RULES

Currently the IRS has the authority to interpret the tax code as it sees fit. This arbitrary authority has at times resulted in one citizen being treated differently from another. The tax code MUST be written by Congress and the SPECIFIC interpretation must reside with Congress and NOT the IRS. Such arbitrary interpretations place all the burden of risk upon the citizen without governmental accountability thus rendering the final outcome to be both discriminatory as well as unpredictable. It is highly questionable whether or not Congress in fact has the right to delegate the nasty business of specifically writing the fine print on regulation to the agencies. Particularly, the right to freely interpret what Congress may or may not have intended. This should apply to all agencies - not merely the IRS.
GROWING DANGERS OF GOVERNMENT COMPETITION FOR CORPORATE TAX REVENUES THREATEN BOTH ECONOMIC STABILITY AND JOB CREATION

There is a major threat to the stability of both our domestic economy as well as our global economy as a whole. This threat appears on the horizon as if it were a huge dark cloud warning of a new Great Depression lying ahead. This new danger of a Great Depression is not being caused by an international trade war of tariffs and barriers. Today, we are looking at an international and domestic war that is silently threatening society as a whole due to competition among various forms of government for greater and greater revenue sources. This is perhaps the most serious of all circumstances that the Flat Tax will actually accelerate because the Flat Tax seeks to allow the US federal government to levy taxes without providing deductions for taxes already paid to another tax authority.

DOMESTIC TAX COMPETITION:

Under the current tax system in the United States, every level of government is desperately searching for new sources of revenue. Local governments are packaging tax liens that they have filed against residents into bundles that are then sold on Wall Street. There are even mutual funds that buy and sell tax liens offering huge potential returns should the property be seized and sold with a big profit to investors. Tax liens can be filed for a number of reasons including fines that might have gone unpaid. Some states, such as California, have become so aggressive that their tax authority has opened an office in New York City in an effort to find companies that might be doing business in their state on a casual basis. Even the City of Philadelphia, which imposes a wage tax, has gone as far as to tax entertainers and sporting teams on any income earned while visiting their city. We are under a serious threat of having the once great economy of the United States break down into a tax free-for-all with companies and individuals being taxed for the same transactions by more than one state without regard for taxes already paid to their place of residence. The Flat Tax is in reality the federal government's attempt at getting into this same game by disallowing any deduction for taxes already paid to some other tax authority.

INTERNATIONAL TAX COMPETITION:

This same game is now starting to emerge on the international scene. California won in court the right to tax worldwide income of anyone living or operating a business in their state even if such income is made by a parent company in a totally different area outside of their jurisdiction. In London, the tax authorities have been changing the rules of engagement for multinational companies. To make matters worse, once a rule is changed, the tax authorities typically seek to extend such new interpretations backward in time thus collecting interest and penalties in huge proportions. The courts are of little help. Glaxo is currently appealing a court decision that allows re interpretations to be audited back beyond 1986. What multinationals are desperately trying to enforce is some legal limit in time.

This is a serious problem that must be addressed. If not, the Great Depression will not be over trade, but over the greed of competing tax authorities seeking to grab their share of the same profits without regard for taxes already paid to some other government tax authority. For this reason alone - the Flat Tax MUST BE DEFEATED!
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