

Ditch the Tax Code and Start All Over

By Scott Burns – Universal Press Syndicate

A modest proposal: Let's dump the entire tax code. Let's gather all the tax documents we can find, put them in a big heap, and have a nationally televised Tax Code Burning Day. If the tax lobbies protest, toss them on the fire, too.

Tax Code Burning Day is possibly a bit extreme, but the idea of chucking our income tax system has been around for quite a while. When I suggested 10 years ago that we were all suffering from Tax Debate Burnout, 5,000 readers agreed. They sent in letters and postcards in support of then-Rep. Dick Armey, R-Irving, and his proposal for a simple flat tax.

Had we adopted the flat tax, we would have avoided a decade in which tax debate has become absolutely poisonous. We could have acted with unity in response to 9/11 and the recession. We might not have the divisive and punishing tax cuts won by the Bush administration because we'd already have a broad lower tax rate.

Armey's idea was to replace the federal income tax with a simple flat tax that would exempt the first \$13,100 of income for a single return or \$26,200 for a joint return. Each child would exempt another \$5,300. All income over these broad exemptions would be taxed at a straight 17 percent, with no itemized deductions.

You would pay no taxes until you had enough income to survive. After that, everyone paid at the same rate. It's a graduated tax that would eliminate taxes for millions of households.

If reader mail is any indication, everyone liked it except our elected friends in Washington. They, regardless of party, hated it. Those who make their living sucking up to them really hated it. They want to retain the right to create special tax breaks.

The only problem with the Armey flat tax proposal was that it didn't go far enough. We need to chuck the entire tax system. We need to eliminate the income tax, the employment tax, the corporate tax and the inheritance tax. We need to start over.

Our tax system is so complicated, so riddled with exemptions, special tax breaks and other results of years of highly successful lobbying that we can't have a reasonable conversation about what the real tax burden is and who pays it. Regardless of which party is in power, we're always playing three-card Monte with Washington.

So, consider the Fair Tax proposal, known in Congress as H.R. 25. The Houston-based tax reform organization Americans for Fair Taxation has proposed that we eliminate the existing tax system — every bit of it — and replace it with a national sales tax.

We would no longer have a special tax on labor, the employment tax.

We would no longer tax capital.

Instead, we would tax consumption. Live modestly, you pay little tax. Live extravagantly, your tax bill will be substantial. Save and invest your money, and you'll pay no taxes. The money will be providing employment and helping the economy grow.

Concerned about the regressive nature of sales taxes?

Not to worry. Every household would get a prebate — a monthly check from the government — of all the sales taxes they would pay on any expenditures they would make up to the poverty level. As a consequence,

millions of families would pay little or nothing in taxes. The rest of us would pay taxes in direct proportion to what we consume. We would pay it at a single rate of 23 percent when we buy new goods. Used goods would not be taxed.

What would that do?

It would end the fastest rising and most regressive tax in America, the payroll tax. It would mean that Social Security and Medicare would be supported by a broad consumption tax on money from work, interest, dividends, capital gains and old capital — not just labor income up to \$90,000.

It would end the ruthless game of divide and conquer that both political parties have been playing for decades.

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