



March 7, 2005

Donald B. Crawford, President

**THE STAND**  
**FLAT TAX**

Question.

What is 15 times the length of the King James Bible?

Answer. The Internal Revenue Service tax code and its regulations. 15 times the length of the King James Bible!

The IRS tax code is now 3.5 million words long. The IRS regulations are only 8 million words long. It takes 11.5 million words to tell we the people how much tax we have to pay! And, that is only the Federal Government. When you add state and local taxation, the red tape is staggering.

Small wonder that it costs American taxpayers, including corporations, the gigantic sum of \$225 Billion dollars each year in compliance costs. \$225 Billion dollars! That one number is more than half of the entire United States government debt or deficit. Lawyers and accountants get rich enforcing this serpentine labyrinth of rules and regulations. The tax code is injected with all kinds of special deductions demanded by special interests. There are rules and regulations for virtually any potential taxing scenario. And, every year, there are new laws, new rules, new regulations, new interpretations and new court decisions which further add to the bewilderment and confusion.

It is a taxing system designed to encourage avoidance and in many cases out right fraud. Such a tax code creates a system where by the people are pitted against the government.

We feel ourselves adversaries against our very own country and we fight with every creative tactic possible to preserve our hard earned dollars, and keep the government from confiscating (taxing) those dollars. It is a lose-lose situation. The government loses, and we lose. It is a system that must change!

Enter the FREEDOM TO CHOOSE FLAT TAX. The flat tax would essentially replace 11,500,000 words of tax code with one page. Right, one page. Instead of tax forms that can contain dozens, sometimes even hundreds of pages to get to the bottom line, taxpayers including corporations would have the option of filing any and all relevant tax information and tax due on a:

**POSTCARD!**

## **The Stand- Flat Tax**

**March 7, 2005**

**Page-2**

That is right, a simple postcard. The flat tax would be determined at or about 20% of the gross income of any taxpayer and that 20% would apply to wages, all business income, all corporate income, all capital gains, all dividends, and all income from estates. All would be taxed at a flat 20%. What an unbelievably wonderful alternative that would be.

The trade off of course would be the elimination of any and all exemptions and deductions. No matter the individual circumstances, there would be no deductions of any kind, and the full 20% tax would be paid on all income regardless of source. That seems enormously fair, and incredible simple. Fair and simple are the two main characteristics of the flat tax. As such, there would be no winners or losers. Everybody, including corporations, would be treated the same. Nobody would have a leg-up or any preference, nobody. Nobody could shelter income, unfairly deduct, or take unfair exemptions, or utilize the creativity of pencil-wielding accountants to pay less than a fair share. Such attacks would incredibly benefit tax income, and in due course, produce more tax revenue than the present system can generate. The government wins and we the people win.

The present system, tax principles, have created some serious problems. They include low wages in so many cases. The average earnings of American workers is stagnant. Growth would occur and wages would increase. America has stubbornly high poverty rates. Those would be diminished. The additional tax revenue would considerably reduce the federal budget deficit of \$413 Billion dollars, and allow our great country to grow internally without such dependence as now exists on foreign goods and services. The added revenue and confidence in the tax situation would revive the manufacturing sector of our country, something solely needed, creating jobs and allowing America to be much less dependent on foreign goods. In addition, the compliance costs (lawyers and accountants) would be cut in half or more. Instead of \$225 Billion dollars a year in compliance costs, lawyers and accountants could render their services for some perhaps at or about \$100 Billion dollars annually.

Most importantly, many economists predict that our economy would grow at a minimum of 10% or more each year. That would mean that the economy, now growing at or about 4% might possibly grow at a rate as high as 5%. What an incredibly strong economic boom that would be for every American.

The beauty of this system and the proposal is that the flat tax would be optional. In other words, any taxpayer individual or corporate could opt to stay in the present system with all of the present tax rates and deductions and not be required to file a flat tax return. Any taxpayer at year end could determine which tax system is better, which one produces the best tax results (the lowest number) and file accordingly. There would be no transition, no rules and regulations to revise or excise. You and I would have the option to choose which tax system is best for us. We now have in essence two tax systems at work. We have the standard internal revenue code with 1040 forms and the like, and we also have the alternative minimum tax (AMT). The current law requires that millions of

## **The Stand- Flat Tax**

**March 7, 2005**

**Page-3**

tax filers must fill out both forms and pay the greater of the two. The new flat tax system would allow the taxpayer to determine tax on the basis of the requirements of the existing standard internal revenue code or the flat tax, and pay THE LESSER AMOUNT! What a fabulous alternative that would be.

If the Bush Administration proposed doing away with the existing tax code and substituting a flat tax, that would potentially never happen because of political pressure, and the incredible lobbying power of special interests. Everyone would fight to preserve the “sacred cow deductions,” such as homeowner’s deductions, charitable giving, preferences for interest earning on municipal bonds and the like. But those who champion special interests such as corporate lobbyists, realtors, homebuilders, mortgage bankers and charitable foundations would have no complaint because the present system could continue at the option of the taxpayer.

Many economists believe that most American taxpayers, individual or business, would opt for the flat tax because of the simplicity and clarity. That is so even if the flat tax would require the taxpayer to pay slightly more in taxes. That seems most plausible. Cutting government red tape, ending countless discussions and payments to accountants and attorneys, and doing away virtually so with any possible future IRS action or litigation is more than worth paying somewhat more tax if so required. The reality is however that the flat tax would result in tax savings for most Americans.

The proposal allows all taxpayers to continue paying taxes under the rules and regulations of the existing IRS tax code. However, when a taxpayer opts to migrate to the flat tax, that is a one time election, and the taxpayer thereafter can not go back to the old system. All new taxpayers, workers and corporations, would be required to file under the flat tax principle so that in time, even if decades, the entire system would be converted to the flat tax and all taxpayers would pay accordingly.

It is a marvelous system and a marvelous principle. I urge you to contact your federal senators and congresspersons, employing them to approve and vote for such a system. It can do nothing but benefit America and Americans. The flat tax is fair and simple. It will grow our economy and it will produce a brand new work ethic and tax psychology in all taxpayers. Let us hope the Bush administration does everything possible to get this done!

DBC/dw