U.S. Chamber of Commerce

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Remarks

By

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President Astro Flight Inc.

Let’s have real Tax Reform

by

Bob Boucher

When I proposed a 10% flat income tax in a letter to Nations Business, I received hundreds and hundreds of letters, most were in agreement with the concept of having the lowest possible marginal tax rate on the broadest possible sector or our GDP. Most readers felt that the 10% tax would be better for themselves personally an about 75% felt that their businesses would also be better off. Although I was surprised at the number of letters and support I received, I was astounded at the number of very long letters, many of them over five pages in length. Every single long letter had the same theme. That person had personal knowledge of someone or some business that was NOT PAYING THEIR FAIR SHARE OF TAXES.

So the main thrust of our tax reform efforts must be to insure a FAIR TAX SYSTEM. A tax system that treats all of our citizens equally and fairly without regard to who they are, their station in life or what they do for a living. The Fourteenth amendment to our constitution states that **“No state shall make any law that denies equal protection to all its citizens.”** My understanding of this law is that our government should treat all its citizens equally without any **deference or discrimination.** This means to me that if we choose to keep the income tax, then it must be a single rate on all income sources with **no exemptions and no deductions**. Our tax must neither regressive nor progressive be. It cannot be regressive and be fair and it cannot be progressive and be fair. If we eliminate all personal deductions including mortgage interest, we must not allow business to deduct interest payments. If we do not allow homeowners to deduct home depreciation expenses, then we should not allow businesses to deduct depreciation expenses. We must be deaf to all the noise and clamor to the various interest groups lobbying for special favors. We must not allow a single favor… period. Once the first favor is granted for no matter how worthy the cause, the dike is breached and all our reforms are doomed!

We must never forget that, if and only if there are no exemptions and no deductions in the income tax code. Then we can tax all income distributions at their source without regard to who the recipient might be. Think of it! This means that **we could eliminate all income tax returns for all private citizens who do not own income property or who are not self- employed.** No private citizen would ever again owe the IRS even one penny at the end of the year. Over 100 million tax returns would be eliminated. Hundreds of thousands of IRS agents and tax accountants would be freed to live useful and productive lives. This is a potential benefit that that should not be dismissed lightly. It would be a bid selling point with the rank and file.

This is all well and good you may say, but what about the minimum wage worker who can't make ends meet now and is receiving well over 100 billion annually in welfare transfer payments like earned income credit, housing allowances, food stamps, etc. How can the minimum wage worker possibly pay 10% of his meager earnings to the IRS? The answer is he can't. The proper solution is not to exempt this worker. NO! No! No! He must be made to pay his taxes like everybody else.

No, the proper and only just solution is to insist that all workers be paid a living wage. All labor has dignity and all workers deserve to be paid a living wage. Let those of you who think the present minimum wage is just fine, try living on it for just two weeks and see how you like it! And make no mistake about it, we all would benefit. Not only would we save over 100 billion dollars of expensed to our treasury, we would gain almost 50 billion dollars in additional tax revenues. A net saving of over 150 billion dollars! WE could use this saving to reduce the marginal tax rates by almost 20%. This is not a trivial savings.

Millions of our citizens are begging for real tax reform. Let's not waste this opportunity to give them real tax reform that is worthy of our great American heritage.

The Lesson My father taught me.

By Bob Boucher

My father Arthur was a carpenter and master builder. He ran a small wood working shop and had a small construction crew. My father inherited the business from his father Joseph. Our whole family were carpenters, My uncle Amie, cousin Jack, my twin brother Roland and I. Roland and I went to work at thirteen right out of the eighth grade, just like my father and grandfather had. I can still remember that first day on the job. I had to carry 80 pound packages of shingles up to the roof of a three story apartment house we were replacing. After almost one hundred such climbs on that first day, I was dog tired I can tell you. I worked seven years during summers and vacation days and Saturdays and was an accomplished journeyman carpenter and can honestly say that I know the meaning of manual labor first hand.

But my brother and I never considered that carpentry was going to be our life long occupation. We were lucky enough to get good educations. I am happy to report that I have received the best of both worlds; a Catholic education and a Yale degree. After graduating from Yale, I left Connecticut for California to work as an electronic engineer at the Hughes Aircraft Company in Culver City California. I worked at Hughes for seventeen years before leaving Hughes to form a new company, Astro Flight Inc., in partnership with my brother Roland. We did not think much about my father's construction business in those days. On day in February 1965, my cousin Jack phoned to tell us that my father was critically ill with spinal meningitis. We both returned to Connecticut at once. When we arrived my father was in a coma, his condition got progressively worse and he died within the week.

Our family decided on an old fashioned wake to be held at the local Elks Lodge. This was the largest hall that we could find in our small town and besides my cousin Jack was past exalted ruler of that lodge and both uncle Amie and my father were Elks. The Elks held a solemn ceremony for their dear departed brother Arthur. Over five hundred people were in attendance. Roland and I noticed a group of well-dressed mourners sitting in the front row. After the ceremony we asked Jack to introduce us to these guests. To our amazement they were very important people from all over the state. One was a State Supreme Court Justice, another a State Senator and many were prominent lawyers and corporation presidents. Roland and I thanked each and every one of them for attending the wake and then we asked them all, the very same question. How did you come to know our father? Every single one replied "Your father built me the very best house in the State of Connecticut. My father was only a wood working man, but he left this world a better place by his being here Let us all hope and pray that all of us will do the same.

The Ten Percent Flat Income Tax

by Bob Boucher

The Idea of imposing a ten percent flat tax on all income is really not a new idea. This concept of asking all citizens to donate ten percent of all their income into a fund for the common good dates back to antiquity. In those days it was known as tithing. **The Key concept here is that all sources of income should be taxed at the same rate.** By having a unitary single rate the maximum amount of revenue can be collected with the minimum harm to any one group of our citizens.

The flat tax on all sources of income is also the fairest system since it treats all citizens equally with no deference and no discrimination. **If and only if** there are no deductions an no exemptions in the tax code, then all income distributions can be taxed at the source without regard to whom the recipient may or may not be. This means that we could eliminate all income tax returns for all private citizens who do not own income property or are not self- employed. Think of it! Over 100 million income tax returns would be history. Over 100 thousand IRS agents and accounts would be freed to live meaningful and productive lives.

The present income tax system collected slightly more than 10 percent of GDP in 1996. The system collected 735 billion dollars in revenue out of a 7.2 trillion dollar GDP. Obviously a 10% rate is high enough to collect the needed revenues. There is absolutely no need for the excessive 17 % rates called for in the Forbes Plan. My fellow Citizens, you can be sure of one thing. **If you are paying more than 10% of your gross income to the IRS you are paying more than your fair share!**

Part 1. Personal Income Taxes

1. Wages and earned income. All wages and earned income will be subject to a 10% withholding tax by your employer. All wages received will be yours to keep so that at the end of the year you will not owe the IRS one penny.

2. Employee Benefits. Ten percent of the value of health insurance premiums, employer pension contributions and other employee benefits will be deducted from employee wages and remitted to the IRS. At the end of the year you will not owe the IRS one penny more.

3. Interest Received. All interest received will be subject to a 5% withholding. The tax rate on interest is reduced to five percent to compensate savers for the principal lost due to inflation. At the end of the year you will not owe the IRS one penny more.

4. Short Term Capital Gains. Short term capital gains will be taxed at 10%. We define short term as assets held less than **seven years.**
5. Long Term Capital Gains. Long term capital gains will be taxed at 5%. We define long term as assets held Seven years or more. This provision recognizes the fact that inflation devalues the value of money received in the future.
6. Interest Paid. No personal deduction will be allowed for interest paid. There are those who will point out that interest is taxed twice. Yes this is true, but it is taxed at one half of the ten percent rate. In my book two times five equals ten.
7. Estate taxes. Estate taxes will be a flat ten percent starting at the first penny.
8. Other deductions. There will be no other deductions or exemptions of any kind.

Part 2. Taxes on Business

2.1 Profits. All net profits will be subject to a ten percent corporate income tax.

2.2 Interest Paid. Interest paid will no longer be a deductible expense.

2.3 Depreciation. Depreciation will no longer be a deductible expense.

2,4 Dividends. Dividends will now be allowed as a deductible expense.

2.5 Executive Salaries. Excessive executive salaries will not be allowed as a deductible expense. Any salary in excess of 200,000 dollars per year will be declared excessive and will be subject to a 10% surcharge to be paid by the corporation.

2.6 Import Duties. An import duty of 10% will be imposed on all goods of any kind and description.

2.7 Favored Nations. No nation shall be granted favored nation status if it has a negative trade balance in excess of 10% in the previous year.

2.8 Non Favored Nations. Nations not enjoying favored nation status will have their goods taxed at 20%.

2.9 Minimum Wage. Since all workers will have 10% deducted from their wages, minimum wage workers will need some assistance. We propose to raise the minimum wage by 50 cents per hour every year for the next five years. The first year the worker will break even since the 50 cent raise will cancel the 50 cent tax. Over the next four years all earned income credits, food stamps, housing allowances and other subsidies to the working poor will be phased out. This provision will leave the minimum wage worker better off than he is today and will increase the net tax revenue to the treasury by almost 150 billion dollars.

Postscript 2015

Since presenting this paper to the US Chamber as well as discussions with NFIB, Cato, and Heritage I have come to the conclusion that separating the income tax from FICA and Medicare was probably a mistake. So I would like to make the following suggestions for your considerations:

1. Combine FICA and Medicare into the flat tax by raising tax rate to 20% across the board, but for wages let the employee pay half and the employer pay half as is now done with FICA and Medicare. This means that all wage earners below FICA cut off will essentially have a 5% income tax withheld from their paychecks.

2. The needed tax rate needed to balance the budget may be even lower than 20%. When I presented this paper 1n 1998 I questioned the official GDP figure given by the Federal Government, stating that I thought something was wrong with the GDP and that at least one Trillion dollars was missing. The economists all started laughing and said **"You are not even close!!!"** Obviously there are more loopholes than I could possibly imagine.

3. I hope this paper gives the reader a point of reference for further discussions. Bob Boucher Sept 2015