

Compassionate Consumption Tax for All Citizens

Restructure Tax System such that the States Fund the Federal Government

Individual Citizens are not taxed on Necessities of Life, Liberty, and Pursuit of Happiness

The tax structure of America is immensely complex and warped to benefit special interest. In addition, it does not spread the cost of operating the nation's infrastructure across all areas society, such as tax exempt foundations, trusts, and religious institutions. Furthermore, the "tax the rich" philosophy pushed by liberals does not really tax the ultra-rich who are able to dodge the income tax by employing an army of lawyers and accountants. In the attempt to treat all citizens equally, it is imperative that a compassionate consumption tax be instituted to replace all property taxes, payroll taxes, and income taxes. Furthermore, Paper Wealth Property Taxes (PWPT) and Payer Wealth Transaction Taxes (PWTT) would be used to restrain the wealth gap between the upper and lower strata of society.

A Compassionate Consumption Tax

A consumption tax is assessed at the point of sale of all goods to the end user by the retailer. A compassionate consumption tax (CCTax) eliminates taxes on the basic necessities of life including food, medicine, and rent at the personal purchase level. In the consumption tax proposed, the states would collect the tax of 21-27 % where all other taxes are eliminated and transfer 1/3 (7-8-9%) to the federal government while leaving 1/3 to the cities, and 1/3 to the states. Federal mandates will be eliminated and the federal government bureaucracy reduced to generating guidelines and collecting data on state performance.

Thus, individuals living in the lowest part of society would experience a 21% cost benefit when purchasing food at the local grocery store, medicine at the local pharmacy, visits to the doctor's office, and when paying rent. States would define additional basic needs that can be

purchased by the individual citizen to help the low income citizens. However, the Work for America system would provide a job for anyone who desires additional fellow citizen aid.

Consumption Tax Gives Power to the States

The CCTax approach gives states the power to define tasks for the federal government other than those explicitly defined in the constitution. The states through votes in the senate in collaboration with the state governors will determine specific areas in which the federal government has power over the states as envisioned by the founding documents.

The CCTax approach also eliminates federal mandates, mostly unfunded mandates, in which the federal government has forced a solution on all states without the approval of the citizenry. The CCTax provides direct funding to the states for all energy, education, environmental, and other areas rather than sending funds to the federal government to see only a fraction returned with burdensome rules attached. The elimination of the fund travel to Washington and back will permit a large fraction of the federal government bureaucracy to be disbanded and assist the federal government in forming a balanced budget.

This approach also can be used to eliminate several other sources of tax funded waste. The federal government currently provides grants to all types of cities, foundations, and every other institution, which implies that the federal government has an unlimited source of funds. When a city requests a federal grant to improve the local infrastructure, the federal grant provides funds that the city is unwilling to assess of its citizens. This federal largesse seems like a good deal to the local citizens because the source of those funds is obscured by the tax trip to Washington and returned with a bureaucracy penalty. In reality, citizens are paying for something for which they would not have voted. More devastating is the fact that some cities and towns are not provided with the federal grants because they do not have the government contacts or influence. It is much better to eliminate all federal grants and leave the funds in the pockets of the citizens to decide on their application. In the CCTax system, the states and

cities each receive 1/3 of the consumption taxes which replaces the revenue presently supplied by the federal government with associated rules and regulations. No longer will citizens send tax funds to the federal government and then receive a portion of those funds in return for obeying federal rules and regulations. The states now determine the rules and regulations.

Taxes on Paper Wealth

One of the reasons that the wealth gap has accelerated in America is that a lot of wealth is held in stock that will only generate government income when it is sold. The consumption tax will collect income from those foundations and presently tax exempt entities. We propose to tax stock as a property, much like a rental property that is used to generate personal income. With a rental property, the landlord pays property taxes as an expense.

In addition, a tax on stock purchases will be a tax on the wealthy that use stock to generate income. For example, stock purchases would be taxed 5% of their value at the time of purchase and be payable over a 10 year period, or when the stock is sold. This approach also removes the day trader incentive, unless the stock in question increases in value more than 5 %.

Paper Wealth Property Tax

The divergence between the wealthiest and the middle class increases because those with wealth can take advantage of the ups and downs of the capitalist system. However, the present rush to tax the wealthy actually taxes those generating wealth and not those with established wealth. Therefore, a paper wealth property tax (PWPT) will be established to tax those super wealthy, like Warren Buffet, who hold vast amounts of paper wealth that do not get taxed under the current system. The PWPT would be progressive with an equation rather than tables so that the wealthiest Americans would pay several percent of their established paper wealth each year in the PWPT. The annual tax on established wealth would be something like the rates shown below:

Paper Wealth Property Tax Rates		
Paper Wealth (\$)	Rate (%)	Annual Payment (\$)
\$1,000,000.00	0	\$0.00
\$10,000,000.00	1	\$100,000.00
\$100,000,000.00	2	\$2,000,000.00
\$1,000,000,000.00	3	\$30,000,000.00
\$10,000,000,000.00	4	\$400,000,000.00
\$100,000,000,000.00	5	\$5,000,000,000.00

For example, Warren Buffet would pay over 4% of the stock value he owns. As a great investor, Mr. Buffet should easily be able to invest his portfolio to obtain annual gains of much more than 4 % and he can feel secure that he pays more taxes than his secretary. More importantly, the PWPT would be used to fund the federal government. Note that local entities, cities and counties would continue to charge property taxes on companies and individuals so that all would pay property taxes.