

#BC2DC16

We The People

PRESCRIPTION FOR
GROWTH

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A flat tax may be the only tax that treats everyone fairly and thus promotes the general welfare. Under a flat tax, each citizen pays the same percentage, and there is no danger of the government favoring one group over another.

DR. BEN CARSON

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When I was little, my mother worked two or three jobs at a time. She left at five in the morning and sometimes did not return home until midnight. We knew we lived in poverty, but my mother believed if you got a good education, worked hard and followed the rules, you could achieve the American Dream.

Today, millions of American families are struggling to provide for everyday needs, invest in their children's futures, ensure adequate health care and save for retirement. Sadly, it has become increasingly difficult for them to realize the American Dream.

Our burdensome tax system is a major reason why.

Hardworking Americans spend countless hours and immense resources to comply with our lengthy tax code. Since it was created in 1913, our web of tax laws and regulations has grown to an absurd size of 10 million words.¹

Not only is our tax code excessively long, it is complex and incomprehensible. The Internal Revenue Service (IRS) itself concedes that "the most serious problem facing

taxpayers is the complexity of the Internal Revenue Code."² Just last year, Americans spent more than \$230 billion and 6 billion hours in our attempts to comply.³

All that wasted time, money and effort will be eliminated by my flat tax plan.

Currently, the complexity of our tax code allows some to game the system, creating unfair results. On the one hand, those who can afford high-priced tax lawyers and accountants exploit the loopholes that plague our tax code. On the other hand, 45 percent of the households of this country pay no federal income tax at all.⁴



*Simplicity is a virtue;
it serves as the hallmark of honesty
and fairness.*

We need to move to a flat tax system where everyone pays the same percentage. Even those who earn little income will pay taxes, no matter how small their contribution might be. Instead of catering to special interests with convoluted tax breaks and preferential treatment, we need to adopt a genuine flat tax that treats all taxpayers fairly.

But that is not enough. We also need to reform our tax system to remove hindrances to American businesses and

our famous spirit of entrepreneurship. Some of America's best known companies have already moved operations abroad to escape our crushing 35 percent federal corporate tax rate – the highest in the developed world.⁵ Double taxation and irrational tax rules give these companies every incentive to keep their profits overseas rather than repatriate gains back home.⁶ Consequently, corporations build and expand their businesses outside the United States, which results in fewer jobs for American citizens.⁷ My plan will create an environment that encourages corporations to bring their businesses back to America, invest money into our communities and create new jobs.

Both the American people and companies built in the United States deserve a tax system that reflects our highest values and unleashes our greatest potential; we deserve common-sense tax reforms and a plan based on simplicity, transparency and fairness.

My Plan for a REAL Flat Tax

My overarching goal for tax policy is that it should raise revenue – not redistribute wealth, micromanage free citizens or intrude on privacy.

My proposal stands alone among all candidates' plans as a true 14.9 percent flat tax – with no deductions, no tax shelters and no loopholes.

Under my plan, two people who earn the same amount of income will pay the same amount of taxes. And, someone who earns 10 times as much as his neighbor will pay 10 times as much in taxes.

Meets the Tests of Simplicity, Transparency and Fairness

My flat tax plan offers much-needed common-sense reform.

- It taxes income at a uniform 14.9 percent rate.
- To protect those rising from poverty, the flat tax applies only to income above 150 percent of the Federal Poverty Level (FPL). For example, a family of four will not pay the 14.9 percent tax on their first \$36,375 of income.
- To treat everyone in America as citizen-owners, those whose income is at or below 150 percent of the FPL will be responsible for a de minimis tax payment annually.
- Personal and corporate income are taxed at the

same level, as is all business income including that of partnerships and sole proprietorships.

- Income is taxed only once: my plan eliminates double taxation by doing away with the taxation of capital gains, dividends and interest income at the personal level.
- The hodgepodge of depreciation schedules is replaced with an immediate 100 percent write-off of all capital investments. This creates a powerful, effective incentive for businesses to invest in expansion and job creation.
- Deductions for mortgage interest, charitable giving and state and local taxes are eliminated. The overwhelming majority of Americans do not benefit from these itemized deductions.

• The Alternative Minimum Tax (AMT) is eliminated. Under the current tax system, the AMT forces middle-class Americans to calculate their tax liability twice – once under the normal rules and again under special AMT provisions. Americans are then punished

by the government, which requires them to pay the larger tax bill.

- The death tax is abolished in its entirety.

Unlike proposals advanced by other candidates, my tax plan does not compromise with special interests on deductions or waffle on tax shelters and loopholes.

Nor does it falsely claim to be a flat tax while still deriving the bulk of its revenues through higher business flat taxes that amount to a European-style value-added tax (VAT).

Adding a VAT on top of the income tax would not only impose an immense tax increase on the American people, but also become a burdensome drag on the U.S. economy.

By applying one single rate to every form of income at its source, my plan does not allow income to escape taxation or be hidden from view. Americans will no longer be pitted against one another or stratified into increasingly punitive tax brackets.

Simplicity is a virtue. It serves as the hallmark of honesty and fairness. Through my flat tax plan, we will improve transparency and restore equal treatment in the collection of taxes.



Everybody Gains, America Prospers and We Return to Our Ideals

My flat tax plan will increase our current, anemic economic growth rate of 2.2 percent by more than half. I am confident this would generate an additional 1.6 percent of growth annually. As a result, our economy would be growing at an annual rate of almost 4 percent.

My flat tax will fuel economic growth well beyond the historic 3.24 percent annual average from 1947 to 2015.⁸ Over the first 10 years of my plan, this surge in growth will increase our real gross domestic product by more than 16 percent.

This expanded growth translates into more than five million additional jobs over 10 years, with a nearly 11 percent increase in wages.

There is no magic here: these are the predictable results of a simple, transparent and fair flat tax system that unleashes the economic potential of every American worker and business. Individual savings will be encouraged, not penalized. Moreover, U.S. investment and production capabilities will expand, helping to create millions of new American jobs.

Ease of compliance and enforcement alone will unlock up to an estimated \$2 trillion in reportable income that has been kept back or deliberately concealed.⁹ This alone will enable the United States to recoup as much as \$300 billion in tax revenue that is now lost because of an appallingly inefficient tax system that invites abuse.

My Pledge: A Simple, Transparent and Fair Tax System for All Americans

America was founded on the ideals of life, liberty and the pursuit of happiness. For many Americans, our current tax system is adverse to those ideals: it stifles their ability to pursue their personal and business ambitions, and it burdens society with an incomprehensible tax code that makes compliance expensive and nearly impossible.

My flat tax plan has the power to rekindle our nation's founding ideals by eliminating the needless complexity and treating every American, rich and poor, with or without lobbyists or lawyers, equal in their ability to achieve the American Dream.

Simple, transparent and fair: that is the promise of my tax plan, and I believe it delivers on every count.



1 <http://taxfoundation.org/blog/federal-tax-laws-and-regulations-are-now-over-10-million-words-long>
2 https://www.irs.gov/pub/tas/08_tas_arc_msp_1.pdf
3 <http://www.ntu.org/foundation/detail/study-2338-billion-61-billion-hours-lost-to-rising-tax-complexity>
4 <http://www.taxpolicycenter.org/numbers/displayatab.cfm?Docid=4323>
5 <http://stats.oecd.org//Index.aspx?QueryId=58204>
<http://taxfoundation.org/article/corporate-income-tax-rates-around-world-2015>

6 <http://taxfoundation.org/article/double-taxation-corporate-income-results-tax-rate-566-second-highest-developed-world>
7 <http://taxfoundation.org/article/double-taxation-corporate-income-results-tax-rate-566-second-highest-developed-world>
8 <http://taxfoundation.org/article/corporate-income-tax-rates-around-world-2015>
<http://www.bea.gov/iTable/iTable.cfm?ReqID=9&step=1#reqwid=9&step=3&isuri=1&904=1947&903=1&906=q&905=2015&910=x&911=1>
9 <http://www.ssc.wisc.edu/econ/archive/wp2011-1.pdf>



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