

Income Tax Simplification Act

A bill to remove tax loopholes, increase fairness in taxation, allow for easier completion of taxes, and encourage economic growth.

****Preamble****

The tax code as we know it today is a catastrophe. It includes tens of thousands of pages of complex deductions, special taxes, rules, definitions, and loopholes. This flawed system allows very wealthy people to pay lower taxes than lower middle income families. It allows those who can afford better tax accountants and tax lawyers to gain the system, while others have to pay a much larger percentage of their income. This is not a fair nor desirable system to have.

The complications in the tax code also costs the country billions of dollars a year and discourages economic growth. A simple, easy to understand tax system will be to the benefit of all Americans. We can have a low, flat tax rate with a standard deduction that [keeps the federal budget balanced](https://docs.google.com/spreadsheets/d/1r54IIYo2_k9CxXCvRMHL6JtRO0hbzICf4M65v6o4Fs/edit?usp=sharing).

****Section 1. Abolition of Current Taxation System****

(1) All current sections of the individual income tax code are hereby abolished, but for the following exceptions.

(2) The home mortgage interest deduction ([26 U.S. Code § 163](<https://www.law.cornell.edu/uscode/text/26/163>)) shall remain intact.

(3) The charitable tax deduction ([26 U.S. Code § 170](<https://www.law.cornell.edu/uscode/text/26/170>)) shall remain intact.

(4) The student loan interest deduction ([26 CFR 1.221-1](<https://www.law.cornell.edu/cfr/text/26/1.221-1>)) shall remain intact.

(5) The earned income tax credit ([26 U.S. Code § 32](<https://www.law.cornell.edu/uscode/text/26/32>)) shall remain intact.

(6) The child tax credit ([26 U.S. Code § 24](<https://www.law.cornell.edu/uscode/text/26/24>)) shall remain intact.

(7) The residential energy credit ([26 CFR 1.23-1](<https://www.law.cornell.edu/cfr/text/26/1.23-1>)) shall remain intact.

(8) The trade or business expenses deduction (26 U.S. Code § 162) shall remain intact.

(9) Definitions and special rules (26 CFR 1.2-2) for Households shall remain intact.

(10) General definition of a dependent (26 CFR 1.152-1) shall remain intact.

(11) Social Security and Railroad Benefits (26 U.S. Code § 86) shall remain intact.

(12) The IRA Contributions Deduction (26 U.S. Code § 25B) shall remain intact.

****Section 2: The Simplified Tax System****

1) There shall be a marginal tax rate of 19% on all personal income for households and individuals earning below \$1 million annually.

(2) Personal income shall be defined as income that is received by persons from all sources. It is calculated as the sum of wage and salary disbursements, supplements to wages and salaries, proprietors' income with inventory valuation and capital consumption adjustments, rental income of persons with capital consumption adjustment, personal dividend income, personal interest income, and personal current transfer receipts, less contributions for government social insurance.

(3) Households earning under \$1 million annually shall be subject to a standard deduction of 200% the federal poverty threshold for their respective household sizes. (For example, a family of 3 making \$60,000 would have a standard deduction of \$40,180, and pay an 19% flat rate on the \$19,820 adjusted income following said deduction, giving an effective tax rate of 6.28%.)

(4) This standard deduction shall be updated annually to account for changes to the poverty threshold.

(5) For households earning above \$1 million annually, there shall be a flat and minimum tax of 30% on all personal income above the initial million dollars.

(6) The IRS is responsible for enforcing this reformed tax code.

(7) Personal current transfer receipts from the government (less social security) shall not be taxed. Current transfer receipts from government include medical

benefits, veterans' benefits, and unemployment insurance benefits. Social Security shall remain taxed at the levels described in 26 U.S. Code § 86 (see Section 1.11).

****Section 3: Enactment****

(1) This act shall go into effect the following taxable year following its passage into law.

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