

“Neutral Tax” & “YOUR SHARE” - 2 Dramatically New Approaches

Both of these plans eliminate the federal tax code as we know it **and** meet the Tea Parties’ **Contract From America** core principle which requires a fair and simple tax that has fewer than the 4,500 words of the original Constitution.

In brief, **Neutral Tax** replaces the \$2.3 total federal revenues (taxes, fees, Medicare premiums, etc.) and so is “revenue-neutral”. The federal govt would “tax” the States (constitutional issue - States may need to agree to be taxed at an effective rate of about 90% of State & Local govt total revenues (taxes, fees, etc.)). Each State would then allocate its federal tax to its citizens in any manner it chooses.

YOUR SHARE would allocate the **entire** federal budget (not merely the amount of its current tax revenues, but it could be limited to a some lower figure) **directly** – bypassing the States - **to all citizens, equally** (allocate shortfall from un-collectible taxes to the rest, equally) – parents are responsible for the tax of their children under the age of (say) 26. **YOUR SHARE** is paid by a monthly debit to your checking account – you bear the cost of any other reasonable method of payment.

YOUR SHARE is in keeping with the Constitution’s proviso on Direct Taxes (i.e., requiring that they must be apportioned to the States based on a State’s population as compared to the total U.S. population) but it goes **beyond** that proviso in that it bypasses the States, effectively eliminating the States’ powers to allocate their federal “tax”, and forcing a pro-rata allocation (which I believe is the only rational interpretation of the proviso - if the federal govt should not be able to redistribute wealth, the States should not be able to do so either).

Neutral Tax is in keeping with that same proviso (even though it does not need to be because it is not a “direct” tax) in that it does give the States full discretion to allocate their federal tax to its citizens in any manner it deems appropriate, but the amount to be allocated to each State is not in keeping with that proviso (i.e., it is based upon State & Local revenues rather than on its relative number of citizens). This plan does have an added attractive feature - it puts pressure on the States to keep their revenues down, because every dollar of State tax/revenue would attract an additional 90% federal “tax” that the State would have to allocate to its citizens.

Under Neutral Tax, people would be aware/told that State taxes are about 53% of total taxes they pay (i.e., 10/19) and federal taxes are about 47% of that total (i.e., 9/19).

If people react well to YOUR SHARE, they may well pressure the States to adopt it at the State level thereby promoting greater simplicity and they would also receive transparent and clear info on how much State versus federal tax they were paying (i.e., \$x for one, \$y for the other, each month).

