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Children of Liberty Tax Plan

Why the COL Tax Plan is Best

1. The plan will balance the federal budget IN A SINGLE YEAR.
2. It is simple, reducing the administrative loss of maintaining a complicated tax system.
3. A consumption tax encourages personal savings and business investment.
4. Over 90% of American taxpayers will pay less tax. Middle class America will see a substantial increase in income.
5. By encouraging personal savings it should decrease overall dependence on federal income grants, social security, and health coverage allowing future reductions in entitlement spending.
6. The plan protects current social security and Medicare recipients by increasing payments to match rising costs.
7. By encouraging business investment and eliminating corporate taxes, it should grow the economy.
8. The plan also encourages exports and discourages imports, which should decrease unemployment.
9. By creating an excise tax for personal or corporate cash transfers oversees, investments in America will grow, expanding the economy and decreasing unemployment.
10. Only two groups will experience tax increases: those who escape taxes through either tax expenditures or illegal means and the richest of all Americans.
11. A consumption tax is fairer. It gathers federal tax money from people who fail to claim income and engage in illegal secondary markets. Since these individuals will have to pay tax at the time of consumption, it will encourage them to collect taxes at the time of service delivery to offset their costs, increasing tax revenue.
12. The richest Americans have received incredible tax advantages over the last 40 years, increasing their wealth disproportionally to other Americans. They are not only capable of paying a higher tax rate, they should until the current unfair redistribution of income is rebalanced.

A Simplified Tax Plan (with some spending considerations)

Simplified Tax Plan	**Revenue Raised (in billions)**
15% consumption tax on ALL finished goods and services	2,722
20% flat income tax on all income above $125,000	1,214
Other taxes (excise tax, tariffs, licenses, fees) – unchanged	291
Total Revenue projections for 2016	4,227
Projected spending for 2016	3,761
15% increase in social security, health care and veteran benefits	316
Excess Revenue (a small beginning towards debt repayment) *See the COL spending plan for the rest of the debt restructure plan*	**$ 150**

Additional Tax Changes

- Eliminate ALL
    - payroll taxes,
    - corporate income taxes,
    - personal income taxes for those earning $125,000 or less, and
    - tax expenditures (commonly called tax deductions and credits), EXCEPT for charity, and the Earned Income Tax Credit.
- Eliminate ALL distinctions of income (capital gains, rental, etc.). Income is income.
- Any personal or corporate income transferred oversees will pay an excise tax of 35%.
- All government income transfers to individuals are federal (but not state and local) tax exempt.
- The Earned Income Tax Credit (EIC) shall be renamed Income Assistance and moved to Health and Human Services and administered as a welfare grant.
- All businesses or individuals that collect payroll taxes must increase the pay of their workers by the employer matching payroll tax portion (7.65%) for a net effective pay increase of 15.3% for all workers earning less than $117,000.
- An inheritance transfer tax of 15% - 35% shall be placed on the net increase in value of all personal property, real property, capital investments, and savings from the original date of purchase, investment, or savings or from the last inheritance transfer tax date. The first $1,250,000 of estate value will be taxed at 15%, the remainder at 35%. Tax on personal property is only for items that have appreciated in value and have a value greater than $12,500. The tax is paid only if sold and at the time of sale.

How This Will Affect Your Income

Current Income Tax Group Percentile	Current Income Level	New Income Tax Rate	New Effective Tax Rate (ETR) - (actually less with savings and investment)	Current ETR	Percentage Change to Your Income
0 -10	<= $36,054	0%	15%	18.3%	3.3%
10 -20					
20 -30					
30 -40					
40 -50					
50 -60	<= $125,000	0%	15%	22.2%	7.2%
60 -70				22.5%	7.5%
70 -80				24.2%	9.4%
80 -90				25%	10%
90 -100	> $125,000	20%	apx. 33%	24.5%	< -8.5%

Future Changes

- Eliminate ALL income tax for top 10% of earners AFTER annual budget
    - is balanced, AND
    - debt repayment amortization is equal to or less than 30 years.

Frequently Asked Questions

- Such a radical change will upset the economy. Right?

  No. Income tax and consumption tax do the exact same thing – lower demand. The transition can be eased by implementing the tax reductions in January and adding the consumption tax in February, a month delay. This will allow all individuals to obtain the increased income prior to facing the increased sales tax.

- Corporations make a lot of money! Why eliminate corporate income tax?

  All tax ultimately is paid by individuals, either by the business owners in reduced profits or by the consumer through increased costs. Eliminating the corporate income tax (when corporations have an effective tax rate of around 11.4%) will help corporations offset the increased consumption tax that they also will pay.

- Without payroll tax, how will you fund social security and health care costs?

  The whole concept of workers receiving "a federal retirement account" or "health insurance" through payroll taxes is and always has been false. All expenses of the retired and the sick are paid out of current tax receipts, not a secure, lockbox somewhere under the Capital. The consumption tax will cover ALL government expenditures.

- Increasing taxes on the rich hurts the economy. Right?

  During the economic technology boom of the 1990s, the effective tax rate of the top 10% was roughly 28% and the top %1 paid roughly 35% - the same tax rate proposed by the COL. Also, since consumption is taxed and not income, the incentive for the wealthy changes to investment and saving and away from consumption – growing the economy.

- A 15% sales tax will cause inflation and hurt the economy. Right?

  No. Since income will rise by 15.3% and prices at 15%, the net inflation effect should be close to zero. A small amount of inflation, however, WOULD BE A GOOD THING! This will grow the economy and lower unemployment.

- There is no such thing as a free lunch! Who is paying more tax?

  The following groups will see a tax increase: (1) people who illegal avoid taxes; (2) some of the top 10% of earners; (3) importers and foreign-based corporations; (4) some domestic corporations that benefit from tax expenditures, paying well below the marginal tax rate; (5) individuals and businesses that transfer profits oversees; (6) large inherited estate holders; and (7) the non-working able-bodied.

- What's up with the death tax! Why tax inheritance?

  Inheritance tax prevents a rich class of nobility from emerging in a democratic society. Our founding fathers fought a revolution to prevent it. So should we. The COL inheritance tax is limited, allowing significant wealth transfer to our children.

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The Numbers (in billions)

The Current Budget (2015)	**Subtotal**	**Total**
Federal taxes		3,183
- Income tax	1,480	
- Payroll tax	1,070	
- Corporate tax	342	
- Other taxes	159	
- Excise tax	96	
- Custom duties	37	
Federal expenditures (2015)		3,761
Deficit		**-578**

Calculating a Taxable GDP	**Subtotal**	**Total**
Gross Domestic Product (2nd quarter 2015)		18,035
- Consumer Spending	12,364	
- Government Spending	3,202	
- Investment Spending	2,992	
- Exports	2,265	
- Imports	-2,789	
Taxable GDP		18,145
- Consumer Spending	1,2364	
- Investment Spending	2,992	
- Imports	2,789	

A Consumption-Based Tax Budget	**Subtotal**	**Total**
Federal taxes (21015)		**4,221**
- Consumption tax (15% sales tax)	2,722	
- Income Tax (20% from top 10%)	1,208	
- Payroll tax (2015)	0	
- Corporate tax (2015)	0	
- Other taxes (2015)	291	
- Fees and License payments (estimate)	34	
Federal expenditures (2015)		**4,077**
- current budget (2105)	3,761	
- 15% increase in social security, health care and veteran benefits	316	
Excess Revenue		**143**