

May 10, 2009

Professor Barnett,

I would like to suggest that you combine proposed Articles 2, 5, 6 and 8 into a single amendment, which I've drafted below.

My proposed revision is based on several tenets:

- The best way to keep government finances in balance is to ensure that the political pressure to spend (there is lots of this) is matched by the political pressure not to raise taxes (there is not enough of this). To enhance the latter, I believe we need a single rate tax, paid on all income and by all entities above a certain income level, accompanied by a balanced budget requirement. Under this system, Congress will have to vote either to cut spending or raise the tax rate, which will provide single-point accountability that voters can understand and measure. Multiple increases in the tax rate to cover higher expenditures should create a broad and powerful constituency for spending reform.
- I'm indifferent as to whether this single-rate tax should be on income or sales, but it shouldn't be both. On balance I favor the income tax because we have the infrastructure in place to collect it and because there are many unknowns with a sales tax (e.g., collectability, avoidance tactics/success, revenue uncertainty).
- It's important to note that versions of a flat tax (and national sales tax for that matter) have been around for a very long time, and that both have gone nowhere politically. In the case of the flat tax, it's because many believe that only a progressive tax structure can ensure the income rich pay their fair share. To cure this and broaden the political appeal overall of the proposed amendment, I would add to the single-rate tax a small asset tax of up to one percent. This tax will ensure that the rich, particularly the asset rich and very successful income rich, pay a meaningful tax burden. It also can be construed as an estate tax replacement, but one that is paid every year instead of at death.
- Another benefit of my three-part proposal – single rate tax, balanced budget, asset tax – is that it truly reduces taxes on the working poor. No longer will they be required to pay Social Security and Medicare taxes, which constitute a larger tax burden for many Americans than the income tax. This is a key difference between the single-rate tax, which replaces all other income-related taxes, and the Hall/Rabushka flat tax, which does not.
- Finally, I like your unfunded mandate article and would keep it intact. I've included it unedited as the final component of my proposed revision.

I've written a book that describes my tax proposals in detail. It's called, "The Rats are in the Cheese." You can learn more about the book, and see commentary on tax issues, on the web site my father and I maintain:

www.hedgehogparty.com

Regards,
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Article [Amendment 5] [Taxation, Balanced Budget and Unfunded Mandates]
[JZ revisions]

- § The power of Congress to lay and collect taxes on incomes shall be restricted to a single tax that replaces all other current income-related, social, estate and gift taxes, with a single tax rate applied to all payers of the income tax. Congress shall not have the power to exclude any type of income from taxation, nor any person or entity from being subject to the single-rate income tax other than those with incomes below a threshold defined by Congress.
- § In approving the budget for each fiscal year, Congress shall set the single income tax rate at the level required to cover all proposed spending, adjusted to account for any surplus or deficit from the prior fiscal year. Congress shall have the power to set the tax rate lower than that required to cover planned spending in any single fiscal year if a declaration of emergency is approved by a 4/5 majority vote of both houses of Congress.
- § The Congress shall have the power to lay and collect a tax upon the assets owned by any citizen or entity based in the United States, or upon the assets in the United States owned by any foreign person or entity. Assets subject to the tax are limited to those owned by the top ten percent of asset holders by value, and the annual rate of tax is limited to one percent of the assessed value.
- § The legislative power shall not be construed to allow Congress to impose upon a State, or political subdivision thereof, an obligation or duty to make expenditures unless such expenditures shall be fully reimbursed by the United States; nor shall the legislative power be construed to allow Congress to place any condition on the expenditure or receipt of appropriated funds unless the requirement imposed by the condition would be within its power if enacted as a regulation.