

National Debt Elimination, by Denny Lancaster 281009

Complex issues such as taxation require simple answers. Until the Federal Income Tax Act of 1958, virtually every tax payer could complete his or her tax federal tax return. Filed with just a few pages and no outside help was required.

And the basic business model of being in business to produce a profit prevailed. Something for nothing was a distant thought and sweat and toil were the hallmarks of our collective conscience.

Then we embarked upon socially engineered incentives built into the tax code, rarely repealed or had real oversight or required changes which fit current needs, nor did congress or the american people do anything other than follow the crowd. We laughed with scorn at those which included Ron Paul, Steve Forbes, Ross Perot and Lee Iacocca who had a telescope and looked into the future. Just business as usual, building a complex governmental big brother society, hinging on socialism.

Any one who is paying too much attention to either of the "major" candidates, might be prudent to just back off and look from a very far distance. Neither candidate has touched upon the real inequities of our current socially engineered tax system. While I call the below unfair I am quite certain that others will say there is fairness in a redistribution along the social order. A problem is that the American people really do not have a voice in what is fair and unfair. All of this information is readily available from study papers found at IRS.gov.

...first time tax filers as the result of applying for a stimulus payment, otherwise known as Economic Stimulus Payment reported 1.8 trillion in earned income subject to federal taxes with a net tax without the "rebate" of 450 billion dollars.

...twenty percent of all tax payers produce approximately 80% of all federal tax revenues.

...just one oil company, Exxon, paid 30 billion in federal income tax for 2007.

...effects of extending tax relief for the alternative minimum tax (AMT) without addressing inequities.

...double taxation on dividends.

Double Taxation on Dividends

Company A has a book net income before federal and state income taxes of \$1,000, then declares a dividend of \$1,000. The tax burden is not reduced and the recipient pays tax on the \$1,000 dividend. The company is left with no funds for future development. Hence a double taxation of dividends. Assuming a tax rate on both of 50% the total tax collected is for the company ($\$1,000 \times 50\%$) or \$500 and for the recipient ($\$1,000 \times 50\%$) or \$500 which total \$1,000 in tax collected.

Benefits of excluding tax on the recipient and allowing the dividend payment of the company as an expense would be as follows: Company net income subject to tax \$1,000 less the dividend of \$1,000 resulting in no tax. The recipient would also not pay any tax. Loss to the Treasury \$1,000 in tax revenues.

Since dividends are an indicator of profitability, both in terms of stock preference purchase by individuals or groups and probability of continuing viability as an economic entity, the true value of stock is less likely to be manipulative by speculators, credit rating agencies, or the "creative accounting practices" off book manipulations and so forth by the "company."

In one fell swoop we have leveled the playing field, returned to generally accepted accounting practices and changed the business dynamics in the USA. The how is really answered by the following questions. Especially when we see the decline in our retirement savings which is the result of stock prices which have fallen dramatically over the past year.

If you received a dividend would you invest in that company which gives an acceptable return on your investment? Would you continue to invest in a company which rely on a stock price increase only?

Unreported Income

All of us should know that the Federal Income Tax System presumes voluntary compliance by USA citizens who are basically honest and do not lie, cheat or engage in larceny. However in the early 1950's a startling estimate was the basis for establishing the first Automatic Data Processing Center in the Atlanta Federal Reserve District. The extensive study was completed using complex modeling using the resources of the IRS, Treasury Department, Federal Reserve District and the General Accounting Office. An estimated 540 billion in unreported income. At the time the Atlanta Federal Reserve District was the "poorest" in our nation. Certainly not the case today.

Any reasonable person would conclude that "unreported income" which includes cash payments for labor or services, drug trafficking, sex trade, overstatement of tax deductions, to name but a few would potentially produce enough tax revenues which at the bare minimum would reduce our national debt of 11 trillion dollars within a decade or less.

[Return To Previous Page.](#)

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