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Try this simple and fair plan for a flat tax

Those earning less than \$100,000 would pay no federal income tax

BOB PERKOWITZ
Special to the Observer

It's that time of year again when we all go through the wondrous experience of paying our income taxes. Most of us don't feel too happy about it. My assistant thinks I feel bad giving all my hard-earned money to the government. My investment banker tells me that we all sure could use another tax break. I don't exactly enjoy the taxpaying experience, but the truth is that I feel like I am paying too little.

I realize that the federal tax bite can reach 35 percent. North Carolina takes another 8.5 percent in income tax and 7.5 percent in sales tax. FICA is 7.65 percent. Then you pay gasoline, auto and property taxes totaling maybe another 3 percent or so of your income. On top of all this, there are public utility bills, phone taxes, airport fees and still more taxes embedded in the other goods and services we buy. What does this add up to, something over 60 percent?

Sixty percent would be an overstatement. There are so many rates, deductions, exemptions, credits and caps that it takes a software program and an accountant to figure out your actual overall taxes.

I worked through a number of scenarios with my accountant and can tell you that for a typical person or family in Charlotte, all these taxes total up to about 25 percent of your income.

We get a lot for those tax dollars. Schools, roads, police, libraries and fire engines; the Army, aircraft carriers, Air Force and Marines; Medicare and Social Security; clean air, clean water and safe work places; the FBI, CIA and NSA; and parks, forests and sports stadiums, not to mention water and sewage services. We get mayors, ambassadors, commissioners, inspectors and senators. Our taxes even pay for democracy in Iraq.

When you compare all the taxes with all the services and investments we get for them, it might actually seem like we taxpayers get a fairly good deal. Even with America's outsized military spending, our tax burden is lower than that of many other countries. More importantly, our government and tax system have yielded the strongest, most prosperous nation on the planet.

Our tax system is, however, ridiculously complicated and a detriment to free enterprise and economic growth. These issues stem from just one thing: the overall unfairness of our current federal income tax. The hardest working Americans, those most likely to spend money, create jobs and boost the economy, pay 20 percent more federal income tax than, well, me.

As an entrepreneur, I have built up and sold a couple of businesses, making some good money in the process. Now most of my income comes from investments rather than work, and my maximum federal income tax rate

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has gone from 35 percent to 15 percent.

It would have been much more beneficial for the economy and me if these tax rates were reversed.

So, here's my Fair Flat Tax Plan to straighten this out. We create one rate for all federal taxes: 25 percent, and one deduction: \$100,000. Whether it is personal income taxes, corporate income taxes, dividend, capital gains or estate taxes, the tax rate is 25 percent. The \$100,000 deduction is per family or business, or in the event of death, estate. Singles would only get half of the deduction.

Think about this for a minute. If you are married, you pay nothing on your first \$100,000 of family income. You wouldn't even file a federal tax return if you were below the \$100,000 threshold. If you make \$200,000 per year you'd pay only \$25,000, or 12.5 percent of family income. If you are a small business owner, you pay nothing on your first \$100,000 of profit.

Right now, if I earn an extra \$50,000 on my investments in dividends and capital gains, I pay only 15 percent in federal tax. If you earn an extra \$50,000 in salary you could be paying 35 percent. Under the Fair Flat Tax Plan we would both pay the same 25 percent.

Besides making the tax system more fair, the Fair Flat Tax would be a huge stimulus to the economy. Consumers could pay off debt and consume. Small businesses could invest in more jobs. And millions of us could forget about filing federal income tax returns.

One other good thing about the Fair Flat Tax -- it would make the people in Washington more responsible. The people who decide how to spend our tax dollars would pay most of the taxes. Big corporations and rich think tanks might then direct their lobbyists to focus on efficiency and wise use of tax dollars, rather than on shifting the tax burden to workers.

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