SIMPLIFIED USA TAX (SUSAT)

H.R. 269

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General Summary

The Simplified USA Tax (SUSAT) would completely replace the current income tax, both corporate and personal. SUSAT consists of two parts:

- **An 8 to 12 percent business tax paid when income is produced.**
- **A 15, 25, and 30 percent progressive rate tax paid by individuals when they receive wages, interest, dividends and other income.**

Wage income and capital income are taxed exactly the same. Income from equity capital is no longer taxed more heavily than income from debt. Incorporated businesses are no longer taxed more heavily than unincorporated ones. Most importantly, income that is saved is no longer taxed more heavily than income that is consumed. Both are taxed exactly the same.

To further assure equal treatment of wage income -- whether consumed or saved -- a full income tax credit is allowed for the current OASDHI (Social Security and Medicare) payroll tax. Because of the payroll tax credit, wage earners will immediately pay less tax than now.

The business tax is internationally competitive. Imports are taxed, but export sales of American-made goods and services are not. Further, U.S. companies are no longer penalized when they make money abroad and bring it home to reinvest in America.

Both the individual tax and the business tax are extremely simple. There are only a few steps in the tax calculation. All are clearly stated and readily understandable, thereby leaving almost no room for taxpayer confusion and little opportunity for the IRS to interfere.

Moreover, because SUSAT repeals federal estate and gift taxes, the IRS will no longer take away a part of anyone's lifetime savings.

The Two-Level USA Tax

Business-Level Tax

Rate: **7.65% on first $150,000 and 12% on excess**
Tax Base: **Sales Revenues from Domestic Operations (-) Exports (-) Purchases of Inventory (-) Purchases of Equipment & Services**

Payroll Tax: **Tax Credit for Employer-Paid Payroll Tax**

Imports: **12% Tax on Imported Inventory, Equipment & Services**
Note: No Deduction for Wages Paid, Dividends Paid or Interest Paid

Wages **Interest, Dividends & Sales of Stock**

Individual-Level Tax

Rates: **Progressive Rates of 15, 25, and 30%.**

Tax Base

Wages + Interest + Dividends + Sales of Stock and Other Assets (-) Deductions

Savings:

(1) **Universal Roth IRA --** ***No Deduction Allowed for Contributions, but Previously-Taxed Principal and Earnings on Principal Are Not Taxed when Withdrawn from USA Roth IRA. No Limit on Contributions and No Restrictions on Withdrawals.***

(2) **Deduction for _401(k), etc. --** ***Preserves Limited Deductions Allowed under Current Code for _401(k), Other Employer-Sponsored Qualified Plans and Deductible IRAs.***

Other Deductions: Deduction for Exempt Amount & Deductions for Home Mortgage Interest, Charitable Contributions & Secondary Education
Payroll Tax: Credit for Employee-Paid Payroll Tax

The USA Individual-Level Tax

The USA Tax for individuals is simplicity itself; a true minimalist approach that achieves a great deal without a lot of complex rules and folderol. Basically, all anyone need do is (1) add up their income, (2) subtract a few simple deductions, (3) apply USA's low tax rates to the balance, (4) take credit for employee-paid OASDHI payroll tax and income taxes withheld by employers, and (5) pay the additional amount, if any, that is due.

Gross Income =	Wages and salaries plus interest, dividends, pensions, etc., and amounts received from the sale of stock and other assets.
Exemptions =	A Family Allowance: . . . . . . $4,840 Single . . . . . . $8,140 Married/Joint . . . . . $4,070 Married/Separate . . . . . . $5,940 Head-of-Household Personal and Dependents: $2,700 each for taxpayer, spouse and all dependents. The total Exempt Amount for a family of four is $18,940.
Deductions =	) Family-based . . . . . Charitable Contributions . . . . . Home Mortgage Interest . . . . . Higher Education Tuition) Retirement-oriented . . . . . Deductible _401(k) Contributions . . . . . Deductible IRAs for Lower Income Families
Savings =	Unlimited USA Roth IRA from which Tax-Free Withdrawals Can Be made for Any Purpose, Not Just Retirement

Rate Schedules and Brackets

Married Individuals Filing Joint Returns and Surviving Spouses

If taxable income is:	The tax is:
Not over $40,000	15% of taxable income
Over $40,000 but not over $80,000	$6,000 plus 25% of excess over $40,000
Over $80,000	$16,000 plus 30% of excess over $80,000

Heads of Households

If taxable income is:	The tax is:
Not over $35,000	15% of taxable income
Over $35,000 but not over $70,000	$5,250 plus 25% of excess over $35,000
Over $70,000	$14,000 plus 30% of excess over $70,000

Unmarried Individuals

If taxable income is:	The tax is:
Not over $24,000	15% of taxable income
Over $24,000 but not over $48,000	$3,600 plus 25% of excess over $24,000
Over $48,000	$9,600 plus 30% of excess over $48,000

Married Individuals Filing Separate Returns

If taxable income is:	The tax is:
Not over $20,000	15% of taxable income
Over $20,000 but not over $40,000	$3,000 plus 25% of excess over $20,000
Over $40,000	$8,000 plus 30% of excess over $40,000

USA Roth IRA: The Centerpiece of the Individual Tax

The USA Tax would eliminate the double tax on income that is saved, and, therefore, makes taxes a neutral factor in the choice between consuming income immediately or saving it in order to consume more later.

USA accomplishes this feat in the simplest and fairest was possible by allowing everyone to contribute *after-tax* income to a USA Roth IRA patterned after the one is Section 480A of the current code with certain modifications. Although called an "IRA", the USA version is in reality a universal savings vehicle that can be used for any purpose, not just retirement.

- ***Everyone is eligible to contribute all or any portion of their current year's taxable income to a specially denominated account (like present IRA accounts at all banks and financial institutions).***

- ***Because no deduction is allowed, the person must first pay the tax on all income and then contribute to the USA Roth IRA. Further, all contributions must be made in cash.***

- ***Because all money that goes into the USA Roth IRA represents post-effective date after-tax income, no additional tax is imposed either on the accumulated principal amount or on the earnings on principal inside the account.***

- ***Accumulated principal and earnings on principal can be withdrawn at any time and for any purpose.***

Overview of USA Business Tax

The USA business tax is a cash flow tax on all forms of business organization, corporate or noncorporate.[1] The calculation of a business's tax liability for the year is a simple five-step process:

Step One
Add up total sales during the year from operations in the United States**;**

Step Two
Exclude sales of goods and services for export;

Step Three
Deduct all purchases from other businesses, including expensing of capital equipment, inventory items, supplies, etc.;

Step Four
Apply the rate schedule to the remaining gross profit to determine tentative tax;

Step Five
Subtract from tentative tax a credit for the 7.65% employer-paid OASDHI payroll tax.

The "gross profit" tax base in *step four* is the amount the business earns on a cash basis after expensing its capital equipment and paying its suppliers, but before paying its employees, stockholders and its creditors. Because the USA business tax allows no deduction for wages, dividends or interest, it collects a uniform tax on all

[1] Like the present corporate income tax, however, the USA Tax exempts all religious, charitable and other nonprofit organizations described in section 501(c) of the current code.

forms of income -- labor and capital. Such "neutrality" is essential to basic fairness and economic efficiency. Under international treaties, it is also an essential ingredient of the important export and import features of the USA Tax.

The most important operational components of the USA business tax, in comparison to the current code, are set forth below.

Item	Business Taxation	USA Tax	IRC of 1986
1	Corporations Taxed Separately from Individuals	Yes	Yes
2	All Business Entities Taxed as Corporations	Yes	No
3	Deduction for Dividends Paid	No	No
4	Deduction for Interest Paid	No	Yes
5	Deduction for Compensation Paid to Employees	No	Yes
6	Credit for Employer-Paid FICA Payroll Tax	Yes	No
7	Requires Depreciation of Capital Investment	No	Yes
8	Allows Expensing of Capital Investment	Yes	No
9	Deduction for Contributions to Qualified Employee Plans	No	Yes
10	Taxes Foreign-Source Income on A Worldwide Basis	No	Yes
11	Applies Territorial Rule to Exclude Foreign-Source Income Derived from Operations Abroad	Yes	No
12	Taxes Export Sales of American-Made Products & Services	No	Yes
13	Taxes Imports of Foreign-Made Products & Services	Yes	No

The USA business tax rate schedule is as follows:

Gross Profit	Rate
$0 to $150,000	8%
Excess over $150,000	12%

Repeal of Estate and Gift Taxes

Not only does the Simplified USA Tax allow all Americans a fair opportunity to save and invest, it repeals the federal estate and gift taxes and, therefore, allows them a fair opportunity to pass their accumulated savings on to their children and succeeding generations.

This repeal applies across the board to everyone and to all assets presently owned and acquired in the future, whether held in USA Roth IRAs or held outside such accounts.