

A TAX CUT WE CAN ALL AGREE ON

The 720 Billion Dollar Opportunity

America has prospered from the realization of our collective dreams. Our unique combination of innovative ideas and the incentive to pursue them has been unbeatable for over 200 years. Each generation of American inventors, entrepreneurs, educators, and scientists has pushed the frontiers of progress beyond the dreams of preceding generations.

Yet we can and must do better. About 720 billion of our hard-earned dollars go to taxes for a complex web of social and entitlement spending, while poverty becomes ever more entrenched. This spending typically comes with Byzantine rules and conditions that dictate who is eligible, and how the money can be spent. Often, many of these programs are wasted or mistargeted.

We once thought that these federal programs would help less fortunate Americans to rise above their circumstances. Instead, we have created bureaucracies that drain our wealth and stifle our initiative.

AMERICANS KNOW BETTER HOW TO SPEND THEIR MONEY THAN GOVERNMENT DOES

We should acknowledge our failure and return the \$720 billion in the form of a National Tax Rebate. Each adult would receive \$4,000 a year and each child \$2,000. A family of four would receive \$1,000 a month — \$12,000 of additional annual income — to spend on their own needs, without restrictions or penalties. That would be real middle-class tax relief.

The tax rebate would help Americans help themselves. By turning a minimum wage into a living wage or covering the costs associ-

ated with having a job, it would give those discouraged from starting at the bottom of the employment ladder an incentive to take an unskilled job. It would help middle class Americans send a child to college, save for retirement, finance the purchase of a home, train for a new job or relocate, reduce tax obligations, save the family farm, finance childcare, enable a family member to stay at home, and more.

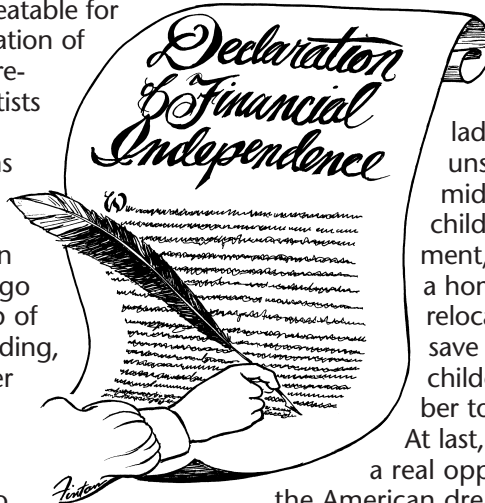
At last, all Americans would have a real opportunity to participate in the American dream of independence and prosperity.

The National Tax Rebate is practical, affordable, and — according to a study the Institute conducted jointly with researchers at the Columbia University School of Social Work — can become a reality. The economic analysis demonstrated that a rebate could be implemented without raising taxes, drawing on the budget surplus, or touching Social Security, Medicare, or Medicaid.

This means that our nation could continue to pay down its debt and secure the future of Social Security and Medicare. With a National Tax Rebate, tax relief doesn't have to mean a smaller budget surplus, and saving Social Security doesn't have to mean zero tax relief.

The National Tax Rebate is an idea whose time has come. It's a declaration of financial independence.

All it takes is political courage and a willingness to accept new ideas.



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The Institute for SocioEconomic Studies is a private operating foundation that examines issues relating to economic development, poverty, health care reform, and the quality of life.