

# Flat Tax, Sales Tax, or ... Smart Tax?

**A**merica is squandering its wealth, and running up ever higher national debt. Our workers struggle to make ends meet. An over-managed and inefficient health care system is collapsing from runaway costs, while a fifth of the population goes uninsured. Industry, straining under taxes and employee benefit costs, is becoming uncompetitive, and is forced to send jobs overseas.

These problems share a common theme: a growing bureaucracy, disincentives, and inefficient use of resources. But attempting to find piecemeal solutions has only resulted in competition among legislators of both political parties. An omnibus approach to all these issues enables us to deal comprehensively with each of them. The final result is both feasible and attractive on all counts.

## **THE PLAN**

The Omnibus Tax, Health and Savings Plan would replace all federal income taxes with a flat tax on personal income. Savings for retirement, education, and home ownership, as well as charitable donations and state taxes, would be deductible. The Plan would include a rebate equal to the flat tax rate times the federal poverty level, plus a Health Care Allowance.

## **TAX-DEFERRED PERSONAL SAVINGS ACCOUNTS**

Income could be placed in Personal Savings Accounts (PSAs) for income-deferred status. Investments and interest from these accounts would be returned to the accounts tax free, but withdrawals would be subject to the tax.

## **HEALTH CARE ALLOWANCE**

A Health Care Allowance would be distributed per capita based on the categories of Adult and Child. This allowance would be held tax free in a Medical Savings Account (MSA). Medical and prescription drug costs could be paid from this account by an MSA debit card. Costs that exceed the allowance would be covered by federal catastrophic insurance. Funds remaining in the account at the end of the accounting year could be transferred to other PSAs with no tax penalty.

**T**he Plan supports the individual's basic right to provide for the future, rather than government's implied obligation to provide for the individual. The Plan will:

- Assure Social Security's future, and provide workers an opportunity to further fund their retirement needs through PSAs.
- Return health care decisions to the individual, restoring the doctor-patient relationship.
- Boost job mobility with portable MSAs.
- Relieve industry of the burden of taxes and health care, increasing efficiency, competitiveness, and capital formation.
- Increase foreign trade, reduce outsourcing, and stabilize the dollar by lowering industry costs—and thus ultimately renew mutual respect and friendship with America's trading partners.
- Eliminate the federal deficit and decrease the national debt.

Details can be obtained from [info@socioeconomic.org](mailto:info@socioeconomic.org).

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