

LOOK WHO'S MAKING THE WORLD A BETTER PLACE!

Restore the United States back to Constitutionally consistent government? Is this possible?

The Institute For Balanced Government thinks it is, and is on a mission to do just that. Founded by Mike Tams, IFBG is an "action tank" working to get our nation back to basics.

A couple quotes from Mike Tams I think best describes what the IFBG is all about:

"Our organization educates citizens on proper responsibilities of units of government and how to empower citizens to control units of government."

"We believe that government is out of control, because citizens have forgotten how to control it. If government at every level needs to be controlled by citizens, the proper thing to do is start with a single unit of government, and this is the practical application of our overall vision: training citizens how to regain control of one particular unit of government, for starters."

Mike is looking to team up with like minded partners with a slice of time to spare, and who are looking for an outlet through which to funnel their energies into making this nation a better place.

If you are interested in contacting Mike, he may be reached at:

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The Community Lender

from FOSTRIAN | Business Capital Corporation

Fostrian Business Capital is a commercial lender specializing in working capital loans to emerging companies through the factoring of their accounts receivable.

From Jeff:

When watching the recent debates over whether to extend the Bush tax cuts, a bigger issue came to my mind. That bigger issue is the character of the federal tax code itself and how it affects the productivity of our economy. I think this is an important issue and thus figured I'd attempt to highlight it in this issue of Fostrian's newsletter. We've also resurrected the "Look Who's Making The World A Better Place" section on the back flap, so please check that out too.

Changing direction, Fostrian Business Capital is well capitalized and continues to provide factoring and asset based credit lines to financially stressed/emerging small businesses. Fostrian has been working with various banks in helping them better position themselves with their struggling clients and/or clients that have outgrown their bank credit lines and need capital to expand. Banks are also using Fostrian as a tool to help them in establishing new client relationships – Fostrian and the bank team up, with the bank taking on the clients' deposits, and Fostrian providing a credit line. If you would like to learn more about Fostrian's services, please feel free to give me a call.

I hope everyone is off to a great start in 2011.

Spring is just around the corner!



THE U.S. TAX CODE... CLOGGING OUR NATIONAL ARTERIES?

My answer to this question is yes, the U.S. Tax Code IS clogging our national arteries.

The point I will attempt to make in this newsletter piece is this: that because the U.S. Tax Code is overly complicated, it sucks up/wastes resources that must be diverted to comply with the code – resources that necessarily are diverted from productive endeavors... diverted from endeavors that actually would produce a tangible product or service... diverted from endeavors that would actually add to our gross national product! I'll end with what I consider to be the solution to this problem – the flat tax.

Ok, here we go...

First, Some Facts

For most of our nation's history, we did not have a federal income tax. In fact the Supreme Court in 1895 ruled the income tax to be unconstitutional. It took a constitutional amendment in 1913 to overcome this ruling and pave the way for the federal government to implement an income tax in that same year (1913). We've lived with the income tax ever since.

Throughout the years since 1913 the federal tax code has evolved into a complicated monstrosity that requires a hideous amount of time and resources just to comply with the code. The reason the code has become such a complicated mess is that politicians have used the code as an instrument of public policy. They've used the code to encourage behavior the politicians want to encourage. They've used the code to discourage behavior the politicians wish to discourage. Encouraging or discouraging behavior (social engineering) is not the politician's business, but they do it anyway. The result of the tax code being used like this is that there are now a multitude of credits allowed for this, deductions allowed for that, loopholes for this, loopholes for that, etc., etc. The final product of all this is a complicated, oppressive tax code that requires an inordinate amount of man hours just to comply with it, and thus works against our nation's economic prosperity.

Some specifics/examples:

- There are 1.2 million paid tax preparers in the U.S. Some of our best minds are being wasted assisting us in complying with the code. If the code was simpler, these minds would be deployed in more productive endeavors where they'd actually be creating a tangible product or service.
- 6.6 billion hours are spent in the U.S. each year on tax preparation alone. This is more hours than it takes to build a year's worth of cars, trucks and vans in the United States.
- Another example: take me, the writer of this piece. I've got an MBA and am very proficient in accounting. I especially did well in tax accounting classes in college. Even so, I have to spend over a thousand dollars each year for a tax accountant to prepare my tax returns.
- Taxpayers contact the IRS 117 million times each year (468,000 times each business day) with questions. The tax code is so complicated that the IRS gives the wrong answer to these questions 47% of the time. Even the experts can't master the code!
- The U.S. tax code (along with instructions) contains 9.4 million words. Compare this to the Bible. The Bible contains 800,000 words. The tax code is over ten times longer than the Bible!
- There are 526 tax forms in use today. That's a lot of forms. This is up from 402 in 1990. The trend here is not good.
- Americans spend \$194 billion each year to comply with the tax code. This represents \$650 for each man, woman and child in this country.
- To fund the IRS each year costs us \$12 billion.

The Problem

It's now clear what the problem is: The federal tax code is so complicated that it requires/demands/sucks huge outlays of our national resources just to plan for and comply with the code. These are resources that, with a simpler tax code, could be re-deployed into productive pursuits and thus enhance our overall economic output as a nation. These resources NEED TO BE re-deployed into more productive pursuits.

But how?

The Solution

The solution is the flat tax. The flat tax is a simplified tax system that is so simple that every tax return can be filled out on a form the size of a postcard. All tax payers (businesses and individuals) will report revenues, subtract expenses and come up with a net income figure. That net income figure will be multiplied by the tax rate and the result is the income tax to be paid.

That's it. It's that simple. No deductions, no credits, no loopholes. It's easy. It's fair. Everyone pays the same rate, a relatively low rate – likely 17% or so.

There have been many flat tax plans proposed but they all pretty much conform to what I've written above. The flat tax would be constructed to be revenue neutral so that the amount of money brought in by the U.S. Treasury would not be affected, at least at first. Reductions or increases in the rate going forward would be decided by Congress.



Benefits of a Flat Tax

There would be tremendous benefits resulting from a flat tax. I can't get into them all for space reasons, but I will talk about those that relate to the main message here.

Per The Tax Foundation, compliance with the federal tax code costs Americans \$338 billion per year when you consider all costs. The Tax Foundation has estimated that the flat tax would reduce this \$338 billion figure by 90%. 90%!

The IRS currently takes up \$12 billion of our federal budget. Most of this \$12 billion would be wiped out with a flat tax as the IRS wouldn't have so much to do anymore.

In regard to the flat tax affect on the overall U.S. economy, most experts forecast the economy increasing by 5 – 10% just from the implementation of the flat tax alone.

Another benefit that is hard to quantify, but is very important, is this: Because our politicians have used the tax code for social engineering purposes, there are a slew of deductions and credits out there available for this activity, or available for that activity. When making decisions between competing economic endeavors we (individuals and businesses) incorporate the tax ramifications of every economic endeavor we consider pursuing, instead of making decisions based solely on the straight rational economics of the endeavor. Allowing tax considerations to come into play distorts economic decisions. A flat tax wipes out tax considerations and puts rational economics into the forefront of all business decisions. This is a good thing, a very good thing.

To sum up, the simplicity of the flat tax would allow us as a nation to free up enormous amounts of resources currently spent on navigating our current tax code, and allow these resources to be re-deployed into productive activities - activities that would actually produce a tangible service or product – activities that would actually add to our gross national product!

Conclusion

Clearly the current tax code, with its hyper-complexity, IS clogging our national arteries. It is also clear that implementing a flat tax would be a tremendous step forward in strengthening the foundation of the United States economy. The immediate benefits of implementing a flat tax would be enormous. Common sense tells us this. The research also tells us this.

Some who argue against the flat tax argue against it because they believe unwinding the monstrosity that is our current tax code is not doable. They say the code is so complicated and so entrenched into our economy that it would be impossible to extricate ourselves from the complicated code.

I don't agree. The United States defeated the Axis Powers in WWII. We kept in check and finally defeated communism in the 20th century. We explored space and put a man on the moon.

Surely we can overhaul the current tax system and implement the flat tax.

I sense that there is a wave of citizens in this country, from all points on the political spectrum, who want to get the United States back to basics, back to the spirit of our Constitution, and back to an optimal level of prosperity.

Implementing a flat tax would be consistent with, and supportive of, these noble goals.

Jeff Jentgen
President

Fostrian Business Capital Corporation