Tax and Spending Reform Act

Authored By: Samuel Adams

Objective: Establish a sustainable, simplified tax model while reducing federal revenue demand through targeted spending reductions and efficiency improvements. This proposal ensures fiscal responsibility, encourages economic growth, and distributes the tax burden equitably.

I. Tax Structure Reform

A. National Sales Tax Structure

- **18% Sales Tax on Non-Luxury Goods and Services**: Applies broadly to most consumer goods and services to create a substantial and stable tax base.
- **32% Sales Tax on Luxury Items**: Applies to high-cost, discretionary items, including luxury vehicles, designer goods, exclusive services, and high-end real estate, ensuring that luxury consumers contribute a higher tax share.
- **Exemptions for Essentials**: Essential items such as groceries, medical supplies, and basic utilities are exempt from sales tax to reduce the impact on lower-income households.
- **Expected Revenue from Sales Taxes**: Approximately $3.2 trillion annually.

B. Income Tax Reform

- **15% Flat Income Tax on Income Over $1 Million**: Targets the wealthiest individuals to contribute significantly to revenue without impacting lower- and middle-income households.
- **Elimination of Deductions and Loopholes**: Removes unnecessary deductions for high earners, ensuring fairness and transparency while reducing tax avoidance.
- **Expected Revenue from Income Tax**: Approximately $375 billion annually.

C. Simplification of Tax Code

- **Removal of Complex Deductions and Credits**: Simplifies the tax code, reducing compliance and administrative costs.

- **Closing of Loopholes**: Eliminates tax loopholes that disproportionately benefit corporations and high-net-worth individuals, increasing effective revenue from existing sources.

II. Spending Reduction Measures

A. Entitlement Program Reforms (Social Security, Medicare, Medicaid)

- **Gradual Increase in Retirement Age**: Aligns Social Security retirement age with life expectancy improvements.
- **Means-Testing for Benefits**: Adjusts Social Security and Medicare benefits based on income, reducing benefits for higher-income retirees.
- **Medicare Cost Reforms**: Allows Medicare to negotiate drug prices, promotes value-based care, and increases cost-sharing for high-income beneficiaries.
- **Estimated Annual Savings**: $200-300 billion

B. Defense Spending Adjustments

- **Rationalize Overseas Military Presence**: Reduces the number of overseas military bases, focusing on strategic locations.
- **Invest in Technology and Streamline Forces**: Utilizes advanced technology to modernize and reduce personnel needs.
- **End Costly Overseas Engagements**: Limits involvement in high-cost, long-term conflicts.
- **Estimated Annual Savings**: $100-200 billion

C. Healthcare Spending Efficiency

- **Fraud Prevention**: Enhances fraud detection in Medicare and Medicaid, reducing waste.
- **Negotiate Drug Prices**: Reduces prescription drug costs through direct negotiation.
- **Promote Preventative Care**: Invests in preventive health programs to lower long-term costs.
- **Estimated Annual Savings**: $50-100 billion

D. Streamlining Federal Bureaucracy

- **Agency Consolidation**: Merges agencies with overlapping functions to reduce administrative costs.
- **Automation and Digital Transformation**: Invests in technology to streamline processes and improve efficiency.
- **Reduce Workforce Through Attrition**: Allows natural workforce reduction through retirement and turnover without layoffs.
- **Estimated Annual Savings**: $50-100 billion

E. Reduce Subsidies and Tax Expenditures

- **Phase Out Fossil Fuel Subsidies**: Encourages competition and sustainability in the energy sector.
- **Targeted Agricultural Subsidies**: Focuses support on small farms, reducing subsidies for large agribusinesses.
- **Streamlined Renewable Energy Subsidies**: Prioritizes programs with high returns and energy efficiency.
- **Estimated Annual Savings**: $50 billion

F. Education Funding Reform

- **Reform Student Loan Programs**: Emphasizes income-based repayment and limits loan forgiveness for high-income earners.
- **Shift Funding Responsibility to States**: Focuses federal education funds on high-need areas while encouraging state-level support.
- **Estimated Annual Savings**: $20-50 billion

G. Debt Interest and Fiscal Discipline

- **Reduce Deficits to Control Debt Growth**: A long-term commitment to deficit reduction will help limit rising interest costs.
- **Maintain Favorable Interest Rates**: Coordinate with the Federal Reserve to manage interest rates on federal debt.
- **Estimated Long-Term Savings**: $50+ billion annually

III. Implementation and Transition

A. Phased Sales Tax Implementation

- Gradual implementation over three years to allow businesses and consumers to adjust to the new sales tax.
- Clear guidelines on exempt essentials and preparation for retailers on tax collection adjustments.

B. Sunset Complex Tax Deductions and Exemptions

- Gradual removal of deductions and credits, focusing on simplifying compliance while avoiding disruptions.

C. Public-Private Partnerships for Infrastructure

- Partnerships with private companies to co-fund and manage infrastructure projects, sharing costs and enhancing efficiency.
- Investment in digital systems across agencies to reduce administrative burdens and improve service delivery.

D. Fiscal Oversight and Adjustment Board

- Establishes a bipartisan board to monitor revenue and spending alignment, ensuring effective fiscal responsibility and making adjustments as needed to prevent debt growth.

IV. Projected Impact Summary

- **Revenue from Sales and Income Taxes**: Approximately $3.575 trillion annually
  - Sales Tax Revenue: $3.2 trillion
  - Income Tax on High Earners: $375 billion
- **Estimated Spending Reductions**: $500+ billion annually
- **Total Federal Revenue Demand Reduction**: Targeting approximately $1 trillion over the next decade through spending cuts and efficiency improvements.

V. 10-Year Predictive Model for Revenue Generation

This model anticipates an average annual growth rate in consumer spending of **2.5%** from economic growth and inflation, impacting sales tax revenue. Below is the projected tax revenue for the next 10 years.

Year	Projected Consumer Spending (in Trillions)	Sales Tax Revenue (18% Non-Luxury, 32% Luxury)	Income Tax Revenue (15% over $1M)	Total Projected Revenue
Year 1	$18.79	$3.776 trillion	$375 billion	$4.151 trillion
Year 2	$19.26	$3.870 trillion	$375 billion	$4.245 trillion
Year 3	$19.74	$3.967 trillion	$375 billion	$4.342 trillion
Year 4	$20.23	$4.066 trillion	$375 billion	$4.441 trillion
Year 5	$20.73	$4.167 trillion	$375 billion	$4.542 trillion
Year 6	$21.25	$4.271 trillion	$375 billion	$4.646 trillion
Year 7	$21.78	$4.377 trillion	$375 billion	$4.752 trillion
Year 8	$22.32	$4.486 trillion	$375 billion	$4.861 trillion
Year 9	$22.88	$4.598 trillion	$375 billion	$4.973 trillion
Year 10	$23.45	$4.713 trillion	$375 billion	$5.088 trillion

VI. Key Projections and Outcomes

- **Increased Revenue Over Time**: By Year 10, the total projected revenue reaches approximately **$5.088 trillion**, surpassing the current federal revenue requirement of $4.4 trillion due to steady economic growth and increased consumer spending.
- **Balanced Federal Budget**: As revenue grows and spending reductions take effect, this model moves toward a balanced federal budget, reducing the need for borrowing and gradually addressing the national debt.
- **Economic Stimulus from Consumer Spending**: With increased disposable income for most Americans, consumer spending is expected to drive growth in taxable sales, creating a sustainable, consumption-based tax model.

Goals and Benefits

1. **Sustainable Revenue Model**: This tax structure aligns with a reduced spending framework, progressively closing the gap between revenue and expenditure needs.
2. **Equitable Tax Burden**: A focus on luxury consumption taxes and high-income contributions ensures fairness, minimizing the tax burden on lower-income households.
3. **Increased Fiscal Responsibility**: A combination of revenue growth and spending cuts enhances long-term fiscal health, reducing federal debt and interest obligations.
4. **Economic Growth and Stability**: By stimulating consumer spending, this model supports economic growth, job creation, and investment in the broader economy.

This **Tax and Spending Reform Act** combines a simplified consumption-based tax structure with targeted spending reductions and long-term fiscal planning, resulting in a balanced and sustainable model. This approach positions the United States for future growth, stability, and economic resilience while reducing tax burdens for the majority of Americans.