

108TH CONGRESS
2D SESSION

H. R. 3759

To require a study on transforming America by reforming the Federal tax code through elimination of all Federal taxes on individuals and corporations and replacing the Federal tax code with a transaction fee-based system.

IN THE HOUSE OF REPRESENTATIVES

FEBRUARY 3, 2004

Mr. FATAH introduced the following bill; which was referred to the
Committee on Ways and Means

A BILL

To require a study on transforming America by reforming the Federal tax code through elimination of all Federal taxes on individuals and corporations and replacing the Federal tax code with a transaction fee-based system.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. SHORT TITLE.**

4 This Act may be cited as the “Transform America
5 Transaction Fee of 2004”.

6 **SEC. 2. FINDINGS.**

7 The Congress finds the following:

1 (1) An effective stimulus plan meets the criteria
2 of job creation, fiscal responsibility, fairness, tar-
3 geting of unmet needs, tax reform and revenue shar-
4 ing.

5 (2) Economic viability is inexorably linked to
6 the rate of economic growth.

7 (3) The current tax structure creates economic
8 distortions that limit growth and job creation.

9 (4) The cost of compliance to taxpayers is five
10 billion hours and approximately \$200 billion.

11 (5) The tax code produces inefficiency in rev-
12 enue raising that forces the nation to struggle un-
13 necessarily under the burden of unequal and inad-
14 equate systems of public education and health care,
15 a crumbling physical and social services infrastruc-
16 ture, and a crushing national debt.

17 (6) Restructuring the tax code would promote
18 economic prosperity.

19 (7) Replacing existing Federal taxes with a fee
20 on transactions eliminates systemic inefficiency that
21 plagues the current tax code.

22 (8) Implementing a transaction fee would allow
23 businesses to undertake projects that were not prof-
24 itable in the past and workers would be more willing
25 to supply labor than before.

1 (9) Responsible tax reform is necessary for all
2 to enjoy financial security, economic prosperity, edu-
3 cational opportunities, and affordable health care.

4 (10) Therefore, it is necessary for the Depart-
5 ment of the Treasury to conduct a transaction fee
6 and implementation feasibility study to achieve these
7 stated goals.

8 **SEC. 3. STUDY ON THE IMPLEMENTATION OF A TRANS-**
9 **ACTION FEE.**

10 (a) **IN GENERAL.**—The Secretary of the Treasury
11 shall conduct an in-depth study on the implementation of
12 a transaction tax in the United States. In particular, such
13 study shall include a detailed feasibility and impact anal-
14 ysis of the proposal outlined in subsection (b) (as well as
15 an implementation/action plan) to replace all existing Fed-
16 eral taxes with a per transaction fee based on the value
17 of the transaction.

18 (b) **TRANSACTION TAX PROPOSAL.**—

19 (1) **IN GENERAL.**—The fee under the proposal
20 would apply to all cash and non-cash transactions
21 (including checks, credit cards, transfers of stocks,
22 bonds, and other financial instruments).

23 (2) **EXCLUSIONS.**—The fee would not apply
24 to—

1 (A) cash transactions of less than \$500,
2 and

3 (B) salaries and wages by employers to
4 employees.

5 (3) CASH WITHDRAWALS FROM FINANCIAL IN-
6 STITUTIONS.—The fee under the proposal would
7 apply to cash withdrawals from financial institutions
8 and be set at a rate that is either double or higher
9 than the standard transaction fee.

10 (4) FEE RATE.—

11 (A) IN GENERAL.—The fee rate is set at a
12 level sufficient to generate revenues equal to
13 revenues under the Internal Revenue Code of
14 1986.

15 (B) OTHER POTENTIAL USES OF FEE.—
16 The fee rate could be structured to cover 1 or
17 more of the following:

18 (i) A national debt reduction plan re-
19 quiring elimination of the current national
20 debt of \$6.846 trillion over a period of 10
21 years, with equal annual payments.

22 (ii) A Federal revenue sharing pro-
23 gram providing funding to States to sup-
24 port 50% of the K–16 education costs of

1 each State which agrees to adopt an equi-
2 table public school finance system.

3 (iii) A Federal program providing
4 health care insurance coverage (for the
5 current estimated 43 million uninsured
6 Americans) which is comparable to the
7 Federal employee benefit program or Medi-
8 care.

9 (iv) A Federal revenue sharing pro-
10 gram supporting community and economic
11 development investments in high poverty
12 rural and urban areas at a level equal to
13 10% of current Federal tax revenues.

14 (5) PROGRESSIVITY.—The base standard trans-
15 action fee shall not be greater than 1% for all
16 noncash transactions under \$500. If more revenues
17 are needed to meet the requirements of paragraph
18 (4), the Secretary of the Treasury would calculate
19 the minimum level of progressivity required to cover
20 these costs. This progressivity factor may include—

21 (A) a higher transaction fee for all trans-
22 actions above \$500, and

23 (B) a progressive schedule of rates to
24 tiered ranges of transactions above \$500.

25 (6) GENERAL PROVISIONS.—

1 (A) LIABILITY FOR FEE.—Persons become
2 liable for the fee at the moment the person ex-
3 ercises control over a piece of property or serv-
4 ice, regardless of the payment method.

5 (B) COLLECTION.—The fees will be col-
6 lected by the seller or financial institution serv-
7 icing the transaction.

8 (c) REPORT OF STUDY.—

9 (1) IN GENERAL.—The results of the study
10 shall be submitted to the Congress by the Secretary
11 of the Treasury in a comprehensive analytical report,
12 detailing—

13 (A) the methodology employed in the cal-
14 culation of the fee rate,

15 (B) the factors considered in assessing fea-
16 sibility of the proposed revenue generating sys-
17 tem and the weight applied to each, and

18 (C) the portion of the transaction fee at-
19 tributable to each of the programs identified in
20 paragraph (3)(B) and the methodology used to
21 calculate each.

22 (2) OTHER REQUIREMENTS.—The study shall
23 (in the following order)—

24 (A) compute the fee needed to meet cur-
25 rent revenue generation,

1 (B) compute the fee needed to meet rev-
2 enue neutrality and generate additional revenue
3 to support the program described in paragraph
4 (3)(B)(i) (relating to national debt reduction
5 plan),

6 (C) compute the fee needed to meet rev-
7 enue neutrality and generate additional revenue
8 to support all the programs described in para-
9 graph (3)(B), and

10 (D) determine the utility of pegging
11 changes in the transaction fee schedule of rates
12 to the rate of inflation.

13 (3) COMPARATIVE ANALYSIS.—The study shall
14 include a comparative analysis of the existing rev-
15 enue-raising system versus the proposed fee-based
16 system on economic behavior. The study shall in-
17 clude an analysis of effect of the 2 systems on—

- 18 (A) job creation,
19 (B) economic growth,
20 (C) consumption,
21 (D) investments, and
22 (E) savings levels.

23 (4) TYPES OF TRANSACTIONS.—The study shall
24 include a broad-based examination of all types and
25 categories of transactions, including information on

1 frequency and value of transactions in each cat-
2 egory.

3 (5) IMPACT OF EXEMPTIONS.—The study shall
4 examine the impact of the transaction fee exemption
5 for all cash transactions under \$500.

6 (6) PROGRAM OPERATIONS.—The study shall
7 provide instructions on program operations, includ-
8 ing—

9 (A) transaction fee collection,

10 (B) transaction fee implementation, and

11 (C) transaction fee compliance, enforce-
12 ment, and administrative costs.

13 (7) FEE AS TOOL OF FISCAL POLICY.—The
14 study shall assess the transaction fee as a tool of
15 Federal fiscal policy, including an impact analysis on
16 the elimination or retention of existing tax expendi-
17 tures, incentives, penalties, and credits. The study
18 should also research and comment on options for re-
19 bating citizens currently not subject to Federal in-
20 come taxes and/or other current aspects of the Fed-
21 eral tax code (i.e. the earned income credit, the al-
22 ternative minimum tax, and the child tax credit).

23 (8) IMPACT OF FEE BY INCOME LEVELS.—The
24 study shall include an assessment of the impact of
25 the transaction fee by quartile income levels.

1 (9) IMPLEMENTATION PLAN.—The study shall
2 include a detailed action plan on how best to imple-
3 ment a transaction tax in the United States and
4 shall include—

5 (A) information on timeline, agency re-
6 form, potential pertinent regulatory issues, and
7 type of congressional action needed, and

8 (B) an examination of the feasibility of
9 modifying the overall mission and jurisdiction of
10 the Internal Revenue Service from one focused
11 on tax law application to one focused on uncov-
12 ering and eliminating waste, fraud, and abuse
13 throughout the Federal Government.

14 (d) DUE DATE.—The report of the study shall be
15 submitted to the Congress not later than 1 year after en-
16 actment of this Act.

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