

111TH CONGRESS  
1ST SESSION

# H. R. 1703

To require a study and comprehensive analytical report 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

MARCH 25, 2009

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

---

## A BILL

To require a study and comprehensive analytical report 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 “Comprehensive Trans-  
5        form America Transaction Fee Act of 2009”.

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) The current tax structure creates economic  
6 distortions that limit growth and job creation.

7           (3) The estimated cost of compliance to tax-  
8 payers is five billion hours and approximately \$200  
9 billion.

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

16          (5) Implementing a transaction fee will provide  
17 the structure to maintain current expenditures on  
18 defense-related activities without sacrificing expendi-  
19 tures on additional important national priorities.

20          (6) Restructuring the tax code will promote eco-  
21 nomic prosperity.

22          (7) Replacing existing Federal taxes with a fee  
23 on transactions eliminates systemic inefficiency that  
24 plagues the current tax code.

1           (8) Economic analyses have estimated a trans-  
2           action fee would allow businesses to undertake  
3           projects that are not profitable in the current tax  
4           system, and workers would be more willing to supply  
5           labor.

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

9           (10) Therefore, the Department of the Treas-  
10          ury shall prepare a comprehensive analytical report  
11          to achieve these stated goals.

12 **SEC. 3. STUDY ON THE IMPLEMENTATION OF A TRANS-**  
13 **ACTION FEE.**

14          (a) IN GENERAL.—The Secretary of the Treasury  
15          shall conduct an in-depth study on the implementation of  
16          a transaction fee in the United States. In particular, such  
17          study shall include a comprehensive analytical report of  
18          the proposal outlined in subsection (b) (as well as an im-  
19          plementation/action plan) to replace all existing Federal  
20          taxes with a per transaction fee based on the value of the  
21          transaction.

22          (b) TRANSACTION FEE PROPOSAL.—

23                (1) IN GENERAL.—The fee under the proposal  
24                would apply to all non-cash transactions (including  
25                checks, credit cards, transfers of stocks, bonds, and

1 other financial instruments) and all high-dollar cash  
2 transactions.

3 (2) POTENTIAL EXCLUSIONS.—The fee would  
4 not apply to—

5 (A) cash transactions of less than \$500,

6 (B) salaries and wages by employers to  
7 employees,

8 (C) transactions involving individual sav-  
9 ings instruments through financial institutions,  
10 and

11 (D) transactions involving stock (and any  
12 options or derivatives with respect to stock).

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

18 (4) FEE RATE.—

19 (A) IN GENERAL.—The fee rate is set at a  
20 level sufficient to generate revenues equal to  
21 revenues under the Internal Revenue Code of  
22 1986.

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

1 (i) A national debt reduction plan re-  
2 quiring elimination of the current national  
3 debt of \$8.8 trillion over a period of 10  
4 years, with equal annual payments.

5 (ii) A Federal revenue sharing pro-  
6 gram providing funding to States to sup-  
7 port 50 percent of the K–16 education  
8 costs of each State which agrees to adopt  
9 an equitable public school finance system.

10 (iii) A plan to meet the promised lev-  
11 els of certain provisions listed under the  
12 National Security Intelligence Reform Act  
13 of 2004 (Public Law 108–458), including  
14 those sections related to air cargo security  
15 (subtitle C of title IV of such Act), deten-  
16 tion bed space (section 5204 of such Act),  
17 and border patrol agents (section 5202 of  
18 such Act); to create a dedicated funding  
19 stream for port security and improvements  
20 at levels recommended by the United  
21 States Coast Guard; and to increase ex-  
22 penditures for first responder grant pro-  
23 grams funded under the Department of  
24 Homeland Security.

1 (iv) A Federal program providing  
2 quality health care insurance coverage (for  
3 the current estimated 46 million uninsured  
4 Americans).

5 (v) An increase in the military basic  
6 pay rate to a level comparable with that of  
7 Federal civilian pay, considering, but not  
8 being limited to, the following criteria: age,  
9 education, skills, years of service, and re-  
10 sponsibilities.

11 (vi) A Federal revenue sharing pro-  
12 gram supporting community and economic  
13 development investments in new markets  
14 (rural and urban areas) at a level equal to  
15 10 percent of current Federal tax reve-  
16 nues.

17 (vii) A plan to increase the pay for  
18 National Guard and Reserve soldiers to  
19 that of active duty military for periods of  
20 extended deployments abroad.

21 (viii) A Social Security and Medicare  
22 solvency plan ensuring that revenues con-  
23 tinue to exceed expected outlays.

24 (5) PROGRESSIVITY.—The base standard trans-  
25 action fee shall not be greater than 1 percent for all

1 noncash transactions under \$500. If more revenues  
2 are needed to meet the requirements of paragraph  
3 (4), the Secretary of the Treasury would calculate  
4 the minimum level of progressivity required to cover  
5 these costs. This progressivity factor may include—

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

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

10 (6) GENERAL PROVISIONS.—

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

15 (B) COLLECTION.—The fees will be col-  
16 lected by the seller or financial institution serv-  
17 icing the transaction.

18 (c) REPORT OF STUDY.—

19 (1) IN GENERAL.—The results of the study  
20 shall be submitted to the Congress by the Secretary  
21 of the Treasury in a comprehensive analytical report,  
22 detailing—

23 (A) the methodology employed in the cal-  
24 culation of the fee rate,

1 (B) the factors considered in assessing fea-  
2 sibility of the proposed revenue generating sys-  
3 tem and the weight applied to each, and

4 (C) the portion of the transaction fee at-  
5 tributable to each of the programs identified in  
6 subsection (b)(4)(B) and the methodology used  
7 to calculate each.

8 (2) OTHER REQUIREMENTS.—The study shall  
9 (in the following order)—

10 (A) compute the fee needed to meet cur-  
11 rent revenue generation,

12 (B) compute the fee needed to meet rev-  
13 enue neutrality and generate additional revenue  
14 to support the program described in subsection  
15 (b)(4)(B)(i) (relating to national debt reduction  
16 plan),

17 (C) compute the fee needed to meet rev-  
18 enue neutrality and generate additional revenue  
19 to support all the programs described in sub-  
20 section (b)(4)(B), and

21 (D) determine the utility of pegging  
22 changes in the transaction fee schedule of rates  
23 to the rate of inflation.

24 (3) COMPARATIVE ANALYSIS.—The study shall  
25 include a comparative analysis of the existing rev-



1 revenue-raising system versus the proposed fee-based  
2 system on economic behavior. The study shall in-  
3 clude an analysis of effect of the 2 systems on—

- 4 (A) job creation,
- 5 (B) economic growth,
- 6 (C) consumption,
- 7 (D) investments, and
- 8 (E) savings levels.

9 (4) TYPES OF TRANSACTIONS.—The study shall  
10 include a broad-based examination of all types and  
11 categories of transactions, including information on  
12 frequency and value of transactions in each cat-  
13 egory.

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

17 (6) PROGRAM OPERATIONS.—The study shall  
18 provide instructions on program operations, includ-  
19 ing—

- 20 (A) transaction fee collection,
- 21 (B) transaction fee implementation, and
- 22 (C) transaction fee compliance, enforce-  
23 ment, and administrative costs.

24 (7) DISTORTIONS.—The study shall include an  
25 analysis, prepared by the Secretary of the Treasury

1 in consultation with the Secretaries of Commerce  
2 and Labor, offering methods of preventing and re-  
3 lieving potential distortions among economic sectors  
4 created by the implementation of the transaction fee.  
5 The study shall also include an analysis of the feasi-  
6 bility of temporarily (for a period of not longer than  
7 1 year) reducing the fee rate (as otherwise deter-  
8 mined in subsection (b)(4)) applicable to an eco-  
9 nomic sector if such sector is experiencing pro-  
10 nounced economic distress.

11 (8) FEE AS TOOL OF FISCAL POLICY.—The  
12 study shall assess the transaction fee as a tool of  
13 Federal fiscal policy, including an impact analysis on  
14 the elimination or retention of existing tax expendi-  
15 tures, incentives, penalties, and credits. The study  
16 should also research and comment on options for re-  
17 bating citizens currently not subject to Federal in-  
18 come taxes or other current aspects of the Federal  
19 tax code including, but not limited to—

- 20 (A) the earned income credit,  
21 (B) the alternative minimum tax,  
22 (C) the child tax credit, and  
23 (D) the deduction for mortgage interest.

1           (9) IMPACT OF FEE BY INCOME LEVELS.—The  
2 study shall include an assessment of the impact of  
3 the transaction fee by quartile income levels.

4           (10) IMPLEMENTATION PLAN.—The study shall  
5 include a detailed action plan on how best to imple-  
6 ment a transaction fee in the United States and  
7 shall include information on timeline, agency reform,  
8 potential pertinent regulatory issues, and type of  
9 congressional action needed.

10          (11) INTERNAL REVENUE SERVICE.—The study  
11 shall—

12                 (A) assume the transition and  
13 grandfathering of all existing personnel of the  
14 Internal Revenue Service,

15                 (B) examine elements of the current Inter-  
16 nal Revenue Service needed to administer the  
17 transaction fee, and

18                 (C) examine the feasibility of modifying  
19 the overall mission and jurisdiction of the Inter-  
20 nal Revenue Service from one focused on tax  
21 law application to one focused on uncovering  
22 waste, fraud, and abuse throughout the Federal  
23 Government.

1       (d) DUE DATE.—The report of the study shall be  
2 submitted to the Congress not later than 1 year after the  
3 date of the enactment of this Act.

○