

# EXTENSIONS OF REMARKS

## FREEDOM AND FAIRNESS RESTORATION ACT

**HON. RICHARD K. ARMEY**

OF TEXAS

IN THE HOUSE OF REPRESENTATIVES

Wednesday, July 19, 1995

Mr. ARMEY. Mr. Speaker, today I am introducing with Senator SHELBY the Freedom and Fairness Restoration Act, which features a flat tax on all income as a complete replacement for today's complex, archaic Tax Code.

I first introduced this bill June 16, 1994, and since that time have received over 5,000 letters of enthusiastic support. They include such phrases as "Yes! Yes! Yes!" "It's about time" "Hallelujah!" "Let's do it" and "Amen!"

In my view, the American people support the flat tax because of four chief virtues—it's simple, honest, progrowth, and fair. It's simple enough Americans can file their taxes on a return the size of a postcard. It's honest because it shows us right up front how much Government is costing us. It will promote economic growth and raise living standards because it eliminates the bias against saving, slashes marginal tax rates, and allows resources to seek their most efficient use. Finally, it's fair because it is true to the uniquely American definition of fairness: Everyone should be treated the same.

Mr. Speaker, the flat tax is more than just a tax system which provides Americans the convenience of filing postcard-sized returns. It's also a vision of what America can be again—a formula for rejuvenating our economy, freeing our entrepreneurial talent, and reviving stagnant family wages. It's a commonsense plan for returning to a Government that is simple, honest, and fair to all our citizens. And who knows? It might just restore people's ability to trust their Government. And this is why the flat tax is in America's future.

Mr. Speaker, I ask that the summary of my bill be included in the RECORD following my statement.

### AMERICAN DREAM IN DANGER

#### WHY WE NEED THE FREEDOM AND FAIRNESS RESTORATION ACT

Our government is too big, and it spends, taxes, and regulates too much. This is the central crisis facing America today. Consider . . .

More Americans work for government than are employed in manufacturing.

The U.S. public sector is now larger than the entire economy of any country in the world except Japan and the United States itself.

The average American family pays more in taxes than it spends on food, clothing, and shelter combined.

Every American works from January 1 to July 10, more than half the year, not to support a family, but just to pay the costs of government taxes and regulation.

### AN UNFAIR TAX SYSTEM

Perhaps the greatest ball-and-chain on America's freedom and prosperity is the income tax. After eight decades of being "reformed," our tax system is so complex . . .

Even the Internal Revenue Service can no longer give accurate advice on it.

The IRS sends out eight billion pages of forms and instructions each year. Laid end to end, these would stretch 28 times the circumference of the earth.

Americans spend 5.4 billion man-hours each year calculating their taxes—more man-hours than it takes to build every car, truck and van produced in the United States.

The tax code puts a drag on our economy worth an estimated \$232 billion a year in compliance costs, an amount equal to \$900 for every man, woman, and child in the country.

### A FUNDAMENTAL CHOICE

Government has become America's number one growth industry—and a danger to the American Dream. As a nation, we face a fundamental choice: Should the government become ever larger as our freedom diminishes? Or should we take dramatic action now to halt the growth of government and restore greater freedom for our citizens? The Freedom and Fairness Restoration Act says, Enough is enough. Its authors believe ordinary Americans are better equipped to make their own financial decisions than politicians and tax lobbyists in a far-off capital. More than a sweeping overhaul of the tax code, the FFRA is a comprehensive assault on oversized government, designed to halt its growth, expose its true cost, and limit its influence on the lives of free Americans. It would radically reorder the tax and spending activities of the government. Here's what it would mean for America:

#### 1. Creates a flat tax

Simple. Replaces the current complicated tax system with a flat tax so simple Americans can file their taxes on a form the size of a postcard.

Fair. Repeals special preferences in the tax code and is true to the uniquely American definition of fairness: Everyone should be treated the same.

Pro-growth. Ends double taxation of saving, thus promoting investment and job creation. Rewards work by lowering marginal tax rates. Creates a neutral tax system which will liberate individuals to make financial decisions based on common sense economics, not arcane tax rules.

Pro-family. Eliminates the marriage penalty. Effectively doubles the deduction for dependent children. By ending the double taxation of savings, provides all Americans with the tax equivalent of an unlimited Individual Retirement Account.

Pro-taxpayer. Protects taxpayers by requiring a supermajority of Congress to raise the tax rate or add loopholes.

Paid for. Raises nearly as much money as the current tax system, while providing the American people with a modest tax cut, paid for with spending cuts.

#### 2. Controls spending

Sets rigid spending caps. Sets unbreachable caps on federal spending that will ensure spending growth is limited and the federal budget reaches balance by the year 2002.

Sunsets most programs. Genuinely reinvents government by ending the legal authorization for most federal programs, thus requiring Congress to fundamentally re-examine programs before spending taxpayer dollars on them.

## THE FREEDOM AND FAIRNESS RESTORATION ACT

### BILL SUMMARY

History. The FFRA was introduced by Rep. Dick ArmeY of Texas on June 16, 1994, and subsequently introduced in the 104th Congress by Congressman ArmeY and Sen. Richard Shelby of Alabama on July 19, 1995. Copies of the bill, which is designated H.R. 1060 in the House and S. 1050 in the Senate, may be obtained by calling the House Document Room at (202) 225-3456. The bill is divided into two sections, called titles.

### TITLE 1—A NEW, FAIR TAX SYSTEM

*Replaces the income tax with a 17 percent flat tax*

The bill repeals today's complicated income tax system in toto and replaces it with a low, simple flat tax. Under the bill, every dollar of income in the economy is taxed, with wage and pension income collected from individuals and all other income collected from businesses. Individuals pay 17 percent of wage income calculated on a return so simple it can fit on a postcard. Businesses pay 17 percent of business income, calculated on an equally simple return.

Individual Wage Tax. Individuals pay 17 percent of all wages, salaries, and pensions, after subtracting family allowances. When fully phased in in 1998, the family allowances will be \$11,350 for a single person, \$22,700 for a married couple filing jointly, and \$5,300 for each dependent. These allowances are indexed to inflation. The flat tax replaces the current income tax system, but not Social Security and Medicare payroll taxes. Social Security benefits would not be taxed.

Business Tax. All business income, whatever the source (corporate, partnership, sole proprietor, professional, farm, and rental profits and royalties) is taxed at the one low rate. Businesses pay 17 percent of the difference, if positive, between revenues and expenses. Expenses are defined as purchases of goods and services, capital equipment, structures, land, wages and contributions to employee retirement plans. No deductions are permitted for fringe benefits, interest, or payments to owners. Collecting business income earned by individuals at its source—the business—allows for a simple, airtight system that ensures all income in the economy is taxed.

### Benefits of the flat tax

Simplicity. Because the existing system's maze of exemptions, loopholes, depreciation schedules, graduated rates, and targeted tax breaks is eliminated, taxpayers will save countless hours and expense in filing their yearly tax returns. The Tax Foundation, a Washington, D.C.-based nonprofit organization which closely monitors federal tax policy, estimates the flat tax would reduce compliance costs by 94 percent.

Fairness. The flat tax will restore fairness to the tax law by treating everyone the same. No matter how much money you make, what kind of business you're in, whether or not you have a lobbyist in Washington, you will be taxed at the same rate as everyone else. While applying only the single rate to all income, the flat tax is also progressive—thanks to the generous family allowance. A family of four earning \$30,000 would pay no income tax, the same family earning \$50,000 would pay 6 percent, and the

• This "bullet" symbol identifies statements or insertions which are not spoken by a Member of the Senate on the floor.

Matter set in this typeface indicates words inserted or appended, rather than spoken, by a Member of the House on the floor.

family earning \$200,000 would pay 14 percent. The family allowances also take millions of lower-income taxpayers off the tax rolls entirely.

**Economic Growth.** By eliminating the bias against saving, slashing marginal tax rates, and allowing resources to seek their most efficient use, the bill will spur productive investment and economic growth. If the bill passed this year, it would increase the annual income of the typical American family by \$4,300 by 2002.

#### *Protects against higher deficits*

The bill is carefully designed to safeguard taxpayers against higher deficits. In the first year after enactment, the tax rate is set at 20 percent to provide modest tax relief while limiting initial revenue loss. This initial tax cut is fully paid for with cuts in federal spending. In the third year, the rate is lowered to 17 percent, providing additional tax relief. Lowering the rate will be possible for two reasons. First, the bill's low marginal rate and neutral treatment of saving will spur economic growth and thus expand revenue to the Treasury. Second, the bill's spending reforms, detailed in Title 2 below, will reduce expenditures. In short, higher revenue coupled with lower spending will reduce future deficits, free up resources to be returned to the American people, and thus permit a freedom dividend to the American taxpayer in the form of a lower tax rate.

#### *Guards against higher taxes*

To help prevent a future Congress from raising taxes, rewarding a special interest, or complicating the tax code, the bill contains a provision which requires a 60 percent supermajority of the House and Senate to (1) raise the tax rate, (2) create multiple tax rates, (3) lower the family allowance, or (4) add a loophole.

#### TITLE 2—REAL SPENDING RESTRAINT

##### *Sunset most federal programs*

All discretionary and unearned entitlement programs are sunset, i.e., set to expire automatically, within two years of enactment of the bill, and again following each decennial census thereafter. The following earned entitlements are not sunsetted: Social Security, Medicare, veterans' benefits, federal retirement. Across-the-board sunset setting will force Congress to reexamine every program individually and decide which ones deserve to be continued rather than which ones should be cut—the true way to reinvent government.

##### *Caps entitlement spending*

The bill provides that the total level of entitlement spending, excluding Social Security, may not exceed the increase in inflation as measured by the consumer price index, plus the growth in eligible population. If the increase in these programs, exceeds this level, an automatic entitlement sequester to eliminate the excess spending will fall on all entitlements except Social Security.

Entitlement spending now accounts for more than half of all federal spending and is the fastest growing portion of the budget. The entitlement sequester will place strong pressure on Congress to make genuine reforms when reauthorizing sunsetted programs.

##### *Caps total federal spending*

The bill sets caps on overall federal spending, bringing the federal budget to balance by the year 2002. If spending exceeded the maximum spending amount established in law, an across-the-board sequester would cut 80 percent from domestic discretionary spending and 20 percent from defense spending.

The bill also contains a "look-back sequester." On July 1 of each fiscal year, the Presi-

dent's Office of Management and Budget is required to determine the extent to which the spending cap may be exceeded. If OMB finds the limit will be exceeded, a look-back sequester will eliminate the excess spending under the same 80-20 formula.

#### *Brings the President back into the budget process*

The bill restores the President to full participation in the annual budget process by requiring that Congress pass a joint resolution, which requires his signature, rather than a concurrent resolution, which does not require his signature, at the beginning of the process each year. Requiring a joint resolution not only restores some of the President's lost influence over spending, but it prevents the House and Senate from disregarding the budget resolution, because a joint resolution, unlike a concurrent one, has the force of law.

#### TRIBUTE TO ZELMAR STEVENSON GORDON

##### HON. JAMES E. CLYBURN

OF SOUTH CAROLINA

IN THE HOUSE OF REPRESENTATIVES

Wednesday, July 19, 1995

Mr. CLYBURN. Mr. Speaker, I rise today to pay tribute to Mrs. Zelmar Stevenson Gordon as she celebrates her retirement from Browne Junior High School in the District of Columbia.

Mrs. Gordon was born in Florence, SC, to the late Rev. Leo T. Stevenson and Mrs. Utensile Jackson Stevenson. She was educated in the Florence County public schools and later received her bachelor of science degree from Savannah State College. Mrs. Gordon continued her post graduate studies at the University of the District of Columbia.

Mrs. Gordon's teaching career began in Georgia as a classroom teacher. In 1964 she moved to Washington, DC, and began her career with the District of Columbia public schools. After more than 30 years of service in education, she is retiring from Browne Junior High School, where she has served as a teacher and assistant principal. Truly, her commitment to education has taken her well beyond the call of duty. In addition to her duties as assistant principal, Mrs. Gordon sponsored many after-school programs designed to keep children from the ills of society, including school trips and educational enrichment.

Active in her community, Mrs. Gordon is a member of Trinidad Baptist Church, where she sings in the gospel chorus and works diligently to serve the church and community. Her civic and professional affiliations include: Delta Pi Epsilon National Professional Honorary Society for Business Education, Alpha Kappa Alpha Sorority, and the Fort Washington Area Boys and Girls Clubs.

A dedicated family person, she is married to John Gordon and is the mother of three sons, Jeffrard, Jon, and Jason. Mr. Speaker, I congratulate Mrs. Zelmar Stevenson Gordon on her retirement and join her family and friends in saluting her on July 22, 1995, at the Trinidad Baptist Church in Washington, DC.

#### ATTITUDES TOWARD EDUCATION

##### HON. LEE H. HAMILTON

OF INDIANA

IN THE HOUSE OF REPRESENTATIVES

Wednesday, July 19, 1995

Mr. HAMILTON. Mr. Speaker, I would like to insert my Washington Report for Wednesday, July 12, 1995 into the CONGRESSIONAL RECORD.

#### HOOSIER ATTITUDES TOWARD EDUCATION

One of the more interesting questions to ask Hoosiers is what they expect from the public schools. My general impression is that Hoosiers have a favorable opinion of public education in their own community, but they have many opinions about improving the quality of education.

Teaching the basics: Hoosier parents strongly support effective teaching of the basics. They want their children to master the essential skills of the ability to read and write English, to do arithmetic, and to have a good basic understanding of science, history and geography.

I find that Hoosiers generally give their local elementary and secondary schools high marks and think very well of the teachers, principals, programs and overall effort. Most parents believe that their children are well prepared for work and higher education.

Employers and college educators do not always agree. They frequently find missing the discipline and dedication to learning, and proficiency in the basic literary and computational skills. They also want to see more emphasis on standards of behavior, such as how to speak and dress properly, and how to be punctual.

I am always impressed by how traditional Hoosiers are in their approach to education. Adults seem to think they got a better education in the basics than children are getting today. They certainly want to see academic standards raised and they believe that schools should hold students accountable for doing their best.

I also find among Hoosiers some discomfort with the new teaching methods that educators often espouse, such as the teaching of English composition by encouraging students to use the written word early and often with less emphasis on spelling and grammar; or the new math which places more emphasis on teaching theories and concepts as opposed to learning by rote.

Discipline and safety: Parents emphasize repeatedly the importance of schools providing a safe and orderly environment in which education takes place. Their biggest concern is the lack of discipline in the local school system and they always put discipline as the most important factor needed for a student to learn along with good teaching.

Parents recognize that providing a safe and orderly environment conducive to learning is a much more difficult task today than it was in their generation. They believe that the schools have to be very tough in emphasizing good habits such as being on time and being disciplined and dependable.

Across the country there is deep concern about drugs and gun violence in the nation's schools. I really do not find much emphasis on that in talking with Hoosiers about Indian schools but there is some concern about gangs, fighting and other disciplinary problems. They certainly do not approve of students bringing drugs or weapons to school.

Traditional values: I have been especially interested in the attitude of Hoosiers toward the teaching of values, morals and character. Parents want public schools to teach values, but they put strong emphasis on tolerance. Hoosiers understand, however, that the best