

White Paper
FEDERAL TAX EVOLUTION AND DEMOCRACY
December 2012

The topic of tax reform came about when my wife, Carol, said we ought to be able to tell the government where to spend our tax dollars. I thought about the Individual Tax Form 1040 and the option to designate one dollar for Presidential Campaigns and a potential solution came to mind. To follow is an orientation for how the Federal Government can proceed to make the payment of individual taxes a democratic institution, allowing tax payers to designate where their tax dollars are to be spent and become active participants in governances.

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Background

At this time in history it appears that government "by the people and for the people" has morphed into "government for the corporations by the corporations." The general population (citizens) has been dealt out of the game of participation and are possibly viewed as "clogs in the wheel" keeping the status quo moving in the direction pushed by corporations or more succinctly by those who can afford to pay lobbyist to promote capital corporate ends, which are increase profits and to decrease expenses anyway possible within legislative laws, rules and regulations, and "including minimizing their taxation."

If the government was required to turn to tax paying citizens in order to receive the citizen's discretionary funding appropriations in their annual Internal Revenue Service (IRS) tax forms, the stream of manipulation by lobbyist would be deprecated. Citizens will then have a say in what government services shall be provided. Citizens would become direct participants in governing by delegating their employment tax dollars to agencies of their choice. How about having a *Federal Commission* appointed to explore and report on a new Federal Tax Evolution.

Let's get a *Federal Commission* appointed to explore and report on a new Federal Tax Evolution.

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Proposal Basics

Although the context of the following writing is focused on the Federal Government, the tax

evolution proposition can be extended to state, county and city governments providing citizen direct financial participation at all levels of governance.

This presentation is a simplistic overview of items and provides some pointers to begin framing conversation. The figures (dates, numbers, and any calculations) used in the following are theoretical and are to be debated. **Please do not take the following as definitive nor final;** that remains for the Federal Commission to work out.

1. Allow individual tax payers and small non-corporate businesses to designate 40 to 60 percent of their taxes to Federal Government Departments and Agencies of their choosing or to major programs within an Agency.
2. The remaining percentage of individual and small business taxpayer money is allocated according to governmental projected budgetary needs.
3. Corporate taxes and capital gains taxes would go into the government's general accounting for distribution.
4. The tax payer's discretionary tax distribution might do the following:
 - A. Allow individual participation in directing government agencies which programs or areas in which to focus services. Basically providing endorsement of services.
 - B. Self Interest will be a strong component of how one distributes their discretionary tax dollars. For example, if you work in the Defense Industry you might choose to allocate most of your tax dollars to DOD or a major division within DOD, and possibly demonstrate a bit of philanthropic behavior by designating a percent or two to some form of social service infrastructure. In contrast you might be most concerned about the Education and accordingly designate your tax dollars to National Endowment for the Humanities.
 - C. Agencies will need to be viewed as providing effective services or risk not being funded in the next round of individual tax payments.
 - D. Agencies have to adjust programs according to their funding of tax dollars.
 - E. Subsidies to various industries would be limited or could disappear given they are not supported by discretionary tax payer funds; however, continued support might come from the government's general funding mechanism.
 - F. Agencies may need to step into marketing their services to the general public in order to accumulate appropriate funds to maintain or grow their programs. An internal government agency could be put in place to monitor marketing materials for truth statements and become the government's validation insignia. Of course, the public media would be challenged to monitor this watchdog agency.
 - G. A top priority of government general spending is for projected budgetary outlays to pay monthly debt service payments. Given that government debt payments remain on schedule, the current debt will be paid off over the long run.
 - H. The financing of new debt should come through the distributed funding available for new programs. Possibly with the tax evolution system in place credit (new debt) may not be a necessity to provide services. The future government might be working on a balanced budget without incurring new financial debt structures.
 - I. Lobbyist can no longer "buy" congressional votes. Lobbyist funds are to be directly used with the Agency under which they are regulated, and no longer to

congressional elections. This lobbyist would then be directly funding programs and not politicians. In turn, the Agency needs to be responsive to citizens in order to receive discretionary tax allocations from citizens. This would turn events around wherein elected officials would be representing their constituents and directing the bureaucratic aspects of governments and not “controlled” by directives originating from corporate funds.

- J. Yes the Federal government is a very big structure and getting all parts funded can be problematic in the beginning until the tax evolution is thoroughly vetted over several years of operation. That is why at least 40 percent of the individual taxpayer base is allocated to the government to discern where funds need to be placed.
- K. Since government services would be heavily influenced by citizen financial allocations, government policies might evolve into systems of “servicing citizen needs” and stop creating policies designed around closed demographic classes based on sex, age and ethnicity.

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New 1040 Tax Form

An amended section to the tax form would be dedicated to discretionary tax allocations to various government departments, agencies and/or their programs. The tax payer can distribute 100 percent of their funds to one entity, or disperse across several or many entities. The option of distributing tax dollars is completely up to the citizen filing taxes. The tax form can simply be a page where the taxpayer writes down the assigned number that designates a specific government entity along with the percentage of their tax dollars to go to that entity.

A numbering system can be designed to chart departments and another sub-number to an agency within the department and possibly down to another sub-number for major programs within the agency similar in structure to the way business SIC codes have been organized.

If an over or under allocation is discovered (more than 100% or under 100%) then funds are automatically prorated to represent 100 percent. If no allocation is designated, then the tax dollars go into the general fund. The same with an invalid government number, the funds could be assigned to the general funds or if a sub-number that is wrong then those funds can go to the next higher level of government organization.

Consider the ramifications of a program getting over funded. Definitely that is a signal the program is providing good service(s). However, what to do with the excess funds? I would suggest that given the success of the over funded service that they in turn redistribute their excess funds to other worthy government causes as they deem justified. If the redistribution becomes inappropriate, then citizens can stop providing their tax share. However, a continued signal of excellence may in time lead to increased citizen trust in that governmental group and continue to receive more funds just for the purpose to be redistributed outside of their immediate service area.

An incremental approach might be best at implementing the tax evolution. During the first year or two the government designations could be mostly global in scope. Then gradually add more detailed, nested, levels of government operations for taxpayer endorsements with their tax dollars.

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