



Tommy's RESTORE America
Tax Reform

Overview

The current federal tax system is fundamentally dysfunctional. The result of decades of political manipulation and special-interest pandering, our tax code is a drag on our economy and a powerful force arrayed against free-market economics.

And President Obama is proposing to make the situation even worse. His budget would increase taxes by \$1.5 trillion and continue the economically destructive practice of picking winners and losers, punishing our job creators while rewarding his political friends.

Our tax complexity intimidates families and incentivizes businesses to establish extensive tax-avoidance capabilities in order to compete on the global stage.

In addition, our tax structure is built with no direct relation to the funding of essential governmental services. We cannot ultimately address America's spending and debt crisis without directly tying limits on taxation to limits on spending.

Tommy Thompson's tax reform initiative is designed to achieve three overriding objectives:

1. Address the spending and debt crisis;
2. Simplify taxation for individuals; and
3. Spur the economy through pro-growth corporate tax policy.

Tax Reform Provisions

Revenue Limits

Tommy provided the largest property tax cut in Wisconsin history by establishing revenue limits on public schools, coupled with state support for essential educational services. America now needs the same common-sense approach to public spending and taxation.

Tommy has endorsed Rep. Paul Ryan's prescription for a balance budget and long-term deficit reduction. A key element of that plan is to limit federal spending to roughly 18 percent of Gross Domestic Product, consistently reducing the deficit over time by holding spending to the historical average.

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To ensure the federal government abides by this target, Tommy will propose a revenue limit on the federal government that restrains federal tax receipts to no more than 18.5 percent of GDP. Tax tables would be uniformly adjusted to collect no more than the revenue limit, creating an incentive for Congress and the White House to live within our means and accelerate economic growth.

Reforms for Individuals, Families and Small Business

Americans are discouraged and defeated by our current complex tax laws. Politicians have been paying mere lip service to simplification for decades and small business are facing massive tax increases with the expiration of the Bush tax cuts. It is time to act.

- *Bush Tax Cuts*

Tommy will fight to make the Bush tax cuts permanent. These lower income tax rates advocated protect our job creators – Wisconsin’s small businesses that file as Sub Chapter S corporations.

Nine out of 10 of Wisconsin companies file under the individual tax system, which is why the class warfare perpetrated by the President and his ally Rep. Tammy Baldwin is so dangerous. Their tax increases will sacrifice jobs and hurt our employers – our neighbors and Main Street businesses – far more than they’ll hurt Warren Buffett.

- *Tax Simplification, A Phased approach*

Tommy proposes to phase in a flat tax, initially offering individual taxpayers the option of filing a single-page tax form with a flat 15 percent rate. Individuals could also chose to use the current tax form in order to take full advantage of exemptions.

After two years of experience with the flat tax, Tommy would move to an across-the board flat tax with provisions to encourage savings, investment, home ownership and support for charities.

- *Economic Expansion*

In order to jump-start the economy and generate jobs, Tommy would exempt all households earning less than \$100,000 from capital gains taxes. This action would provide a jolt of economic expansion by allowing Americans to reinvest in their communities and businesses. When balanced by the ensuing economic expansion, this action would have a minimal fiscal impact.

- *Social Security Income*

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A key element of Tommy's tax-cutting policies in Wisconsin was the elimination of state taxes for Social Security income. We need the same policy at the federal level.

Our current system represents flawed economics and is the height of inefficient government. We collect Social Security taxes from individuals during their entire working lives and later return that money in the form of benefits. But then we tax as income the money we took from our workers in the first place.

Tommy will propose the repeal of federal taxation on Social Security benefits. He will make the repeal budget-neutral by adjusting benefit costs for high-income individuals. The result will be that most Social Security beneficiaries will see reduced income taxes on the money that was theirs in the first place.

Pro-growth Corporate Tax Policy

Tommy believes our corporate tax policy creates the wrong incentives and is the primary reason why our economy has not expanded at the same pace it did after prior recessions. The time for politicking and class warfare over corporate tax policy is over. We must move forward with a pro-growth tax policy that generates jobs by making our employers more competitive in the global economy.

- *Corporate Tax Rate*

Policymakers have had their heads in the sand regarding the global economy in which our employers compete. Our current federal corporate income tax is the highest in the world for developed countries. This cannot stand.

Tommy will fight for the provision in the Ryan budget that simplifies and reduces corporate income taxes to two brackets: 25 percent and 10 percent.

- *Repatriate foreign profits*

In addition to a lower tax rate, the U.S. must finally address the perverse incentives that cause companies to reinvest foreign profits overseas rather than repatriating those profits. This dynamic will be partially addressed by reducing the gross differential between U.S. tax rates and those overseas. But we need to do more.

According to recent news reports, Apple, Microsoft and Google are calling on federal tax incentives to repatriate up to \$1 trillion in foreign profits generated by U.S. corporations. Rather than a mere tax holiday or other temporary measure, Tommy is proposing a permanent solution to return those foreign profits for investment in the U.S.

Tommy will pursue a policy of zero taxation on foreign profits repatriated to the U.S. when those profits are used for investment in plant and equipment, job training or research and development. Investing more than \$1 trillion in our

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economy at little or no cost to the U.S. Treasury (because those profits are generally not taxed now) is among the most powerful near-term actions we can take to restore America's economy.

- *Border Adjusting*

Most of our competitors around the world tax imports rather than exports. Since the U.S. taxes exports, the products our companies produce are double-taxed – first export taxes from the U.S. and then import taxes in other nations. The result is that our motorcycles, tractors and water meters are made artificially less competitive versus foreign companies.

Tommy believes we must restore our manufacturing economy by reversing our anti-competitive tax policy. Along with Paul Ryan, Tommy will fight for a dramatic step toward international competitiveness by “border adjusting” our taxes, applying taxation to imports rather than exports.

Conclusion

The complex, anti-competitive American tax system is a reflection of our broken political system. We have an opportunity this year to send a reformer to the U.S. Senate to tackle the most pressing issues facing our economy.

Tommy Thompson is a proven reformer who has the courage and conviction to finally fix our tax code. He will put an end to the tax-and-spend Washington culture enabled by the Obama Administration and liberal lawmakers such as Harry Reid and Tammy Baldwin.

Tommy's tax reform plan will foster new spending restraints, simplify the lives of Americans and usher in a new, lasting prosperity with common-sense, pro-growth business tax policy.

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