

The “New” New Deal:
A Pragmatic Approach for Stabilizing the Ailing
Economy

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Introduction

The economic future of America is at risk of suffocating beneath the largest federal deficit ever accumulated—one which is quickly approaching \$15 trillion. While astronomical, the current levels of debt are not yet a death sentence, but inappropriate political action could provide an ample foundation for a stagnant economy. The debate lies not in whether to cut spending, but rather in what areas and to what extent those reductions need take place. The solution must be determined with empathy, sensitivity and fairness and the process must begin *immediately*. It is important to note that raising taxes and reducing spending have contracting economic effects. Therefore, we recommend avoiding radical changes in preference for multifarious minor adjustments to fiscal policy. These adjustments will represent a paradigm shift towards efficiency among programs and values that have become static relics of former eras. The American society, dynamic by nature, is not synonymous with the America of prior decades and federal policy should keep pace with this discrepancy. The removal of blatant inefficiencies in fiscal policy by the current administration will be rewarded with a more robust economy characterized by lower unemployment.

We propose a series of alterations to programs that have become outdated and represent inefficient sources and/or allocations of government funds. While understanding the extent of the legal and political actions required in implementing these suggested reforms, we believe that our proposals are pragmatic and—given the urgent nature of the topic—deserve consideration. We do not claim to be economist; merely undergraduate students with an augmented stake in the implications of the impending federal fiscal reform.

Pension Reform

The average life expectancy for men and women has increased from 65.5 to 75.7 years and 71 to 80.8 years respectively since 1950ⁱ. To keep pace with this outstanding achievement, the federal retirement age should be increased by a minimum of two years. This adjustment mirrors the two year divergence in the Minimum Retirement Age (MRA) between citizens born prior to 1948 and those born

after 1970ⁱⁱ. The pensions of public service individuals including police, firefighters, and government workers (senators, congressional representatives, and the President) will be held to the same national standard, which will also include increased penalties for early withdrawalⁱⁱⁱ. The present amount allocated to federal pensions is in the range of \$215 billion per year^{iv}. Assuming the median retirement age of federal employees remains 61, the savings resulting from these minor adjustments should amount to about \$35.2 billion annually^v. Additionally, a freeze will be placed on any increases in government benefits until fiscal reform has occurred and the respective increases can be funded.

Entitlement Reform

The current entitlement programs are outdated for similar reasons as the pension programs and must be rebalanced to incorporate income limits, age limits, and public governance. Social security combined with the Medicare and Medicaid programs account for over \$1.61 trillion, or around 43% of federal spending^{vi}. Under our proposal, individuals whose combined domestic and international annual earnings exceed \$1 million will not be eligible for social security benefits and individuals who earn over \$500,000 will receive reduced benefits pertaining to that year^{vii}. The combined savings should amount to at least \$67 billion per year^{viii}. Additionally, the annual cost of living adjustments (COLA) will not come into effect until the budget is balanced. Removing the 3.6% COLA currently scheduled to go into effect in 2012 will save the taxpayer \$54 billion next year. Also—with the implementation of risk-adjusted premiums—citizens will face an increased standard to receive Medicare. Medicaid standards will also be tightened, requiring recipients to be US citizens or legal residents that have paid into the system for a minimum number of years. The top 10% of Americans control nearly 75% of the nation's wealth; this rebalancing merely represents an end to paying entitlements to those individuals that don't need them. After all the social programs of this country were implemented to serve as a safety net for people of this country that needed help during the Great Depression. .

Tax Reform

The current tax system must be reformed in a way that simplifies the system and promotes the reparation of lost tax revenue to America. To begin, the tax exemption on the first \$92,900 earned overseas will be removed; resulting in an estimated increase in tax revenue of over \$2.1 billion annually^{ix}. Also, a tax credit will be extended to firms that add jobs domestically. The size of the credit will vary by industry, which allows for specific market sectors to be targeted for growth. Similarly, a tax credit will be given to companies that switch their factory production to the U.S. from overseas.

The tax code must be simplified in a way that also provides additional revenue. Most exemptions for individuals earning over \$1 million are unnecessary and will be phased out. Furthermore, the minimum threshold to begin paying income taxes will be removed and replaced with a tiered minimum income tax (Income under \$50k : 5%, \$50k-\$100k: 7.5%, over \$100k: 10%), which will produce around \$149 billion in tax revenue. This will insure that all Americans will pay their fair share into the system, regardless of tax loopholes, deductions and other. In order to reduce tax fraud losses the IRS will hire additional auditors and there will be heightened legal ramifications for not adhering to the revised code. To discourage the use of foreign tax havens the U.S will extend amnesty to anyone willing to come forward while increasing the penalties to those who continue the practice.

While contrary to our goal of simplifying the system, the implementation of a luxury tax and a gas-guzzler tax will ensure that Americans are held accountable for their purchases. One option is to institute a 1% federal tax fee on residential properties with market values of over \$1 million, which would generate about \$14.7 billion annually^x. Another option is to charge a 2% gas-guzzler tax on new cars that do not meet the minimum mileage per gallon requirements and an additional 2% on cars valued over \$100,000, which alone would generate around \$7 billion in revenue next year^{xi}. Also, online retailers could be required to implement a 1% federal sales tax on all internet transactions, which would generate at least \$2 billion in revenue the first year^{xii}. The beneficial impacts of these diminutive taxes far outweigh the minimal sacrifice required on part of the American citizens.

Military Reform

The colossal scale of the United States' international military presence is unneeded and equates to little more than outdated Cold War era policy. Currently, U.S. operations account for 44% of the world's military spending. Much of this spending stimulates the economies of and provides protection for foreign nations. In aggregate, the U.S. funds about 700 military bases in 130 countries. By our estimates, cutting the U.S. foreign operations budget by half will save around \$7.5 billion annually. Realistically, do we need military bases in Japan? Why did the U.S. deny a request by the Japanese government asking us to remove marines from a World War II era base in Okinawa? Can Germany, the third largest economy in the world, not protect its own citizens? Why not move our base in Germany to Poland where the cost of living is less than half of that of Germany? The U.S. can still strategically police that sector of the world from a few hundred miles away. What we are proposing is a restructuring and consolidation of our military bases overseas to reflect the nation's current and potential future security needs. To begin, we have provided a list of 10 outdated U.S. overseas military bases that can be promptly closed to save billions: Manas Playground –Kyrgyzstan, Camp Bondsteel-Kosovo, Soto Cano- Honduras, Futenma & Astugi – Japan, Garisch – Germany, Torii Station – Okinawa, RAF Lakenheath – UK, Gitmo, Chinhae – South Korea, and Marine Corp Prepositioning Program – Norway^{xiii}. Pursuing this efficient overseas base alignment strategy (OBAS) , the U.S. will reduce overseas military spending by billions, while preserving the security of the American citizens and limiting the contractionary effect to foreign nations.

The new plan will substitute the current military pension plan with a portable 401k plan that is supported by an independent financial advisor. Currently, average private sector pensions range from 4-12% of pay each year while military retirements equate to 75% of annual salary^{xiv}. This modernization of the military pension system will save billions, be more flexible and transparent, push the funding requirements away from the employer to the employee, and most importantly, give our service men and women an option to leave the military sooner with a transferable pension plan.

Eliminate federal subsidies to medical benefits by adjusting tri-care medical coverage to market rate. Current retired military personnel pay about \$520 per year^{xv} for family medical insurance, while family coverage across the country averages around \$6,328 per year (depending on age and how many dependents)^{xvi}. An increase in premiums to the national average would save \$11.5 billion per year^{xvii}. To reduce future expense the government should look to speed up the converting of paper files to electronic files for all military personal. This is the logical medical reform our society should be pursuing. It is time to work smarter, be real with what works, and reform sensibly and logically.

Immigration and the Underground Economy

The Pew Hispanic Center estimates there to be about 11.2 million illegal immigrants residing in the United States^{xviii} and the Federation for American Immigration Reform (FAIR) estimates the corresponding cost on US taxpayers to be \$113 billion per year^{xix}. Much of the cost burden stems from illegal immigrants using public goods, such as roads and education and the subsidized health care provided to the immigrants via Medicaid. Unfortunately, these immigrants do not pay proportional levels of taxes to supplement these costs.

Immigration must be reformed in a way that deters future illegal immigration, while promoting individuals currently living in America illegally to pay into the tax system. Under the proposal, security of our borders will be heightened in order to reduce the inflow of illegal immigrants. To deter firms from continuing to hire these immigrants, the fines for non-compliance will be increased and their employees will face deportation. Next, illegal immigrants who can provide proof of living and working in the U.S. for at least the last three years will be offered a path to reside here. These “eligible” immigrants will be offered a temporary worker’s permit that will be valid for five years. However, to participate these individuals must pay an initial fine of \$3,000 and an annual registration fee of \$1,000 for each of the next five years. During this five year period, these “eligible” illegal immigrants must take an English & American History class and pursue a homesteading process. This homesteading process will require them to enter into a purchase contract for a single family residence or condominium. Successful completion of

this homesteading process will allow them to convert their temporary worker ID into a green card. Even if only 60 percent of illegal immigrants participate in the program, revenue from the first year will be \$20.1 billion and continued revenue will equate to about \$6.7 billion annually for each of the next five years^{xx}. The homestead policy will have an ancillary benefit of absorbing some of the supply of foreclosed homes. In theory, this policy will turn “off the radar”, non-taxable immigrants into tax paying documented residents of the U.S..

As newly legal residents, they will be able to pay their fair share of taxes in return for access to public goods, roads, education, and health care. Moreover, their children will have the opportunity to attend some of the top colleges in the world. In total, tax revenues from the program will equate to about \$5.9 billion annually^{xxi}. Illegal immigration has become a crippling burden on the U.S. taxpayers and the age of turning a blind eye must end.

Another method of taxing the “underground” economy is to legalize the use of marijuana and tax the substance at an elevated rate. In his February 2010 paper, Harvard University Economics professor Jeffrey A Miron estimates that the legalization of marijuana would generate around \$6.8 billion in tax revenues for the federal government. Professor Miron also estimates that legalization would save the federal government \$3.4 billion and local and state governments \$10.4 billion in enforcement expenses^{xxii}. Putting the ethical debate over marijuana aside, the United States Government should not completely overlook the opportunity for revenue growth available through this and other alternative solutions.

Mortgage Market Standardization

The federal government must standardize mortgage underwriting guidelines to include a mandated down payment of 20%, a verification of income (VOI) and a verification of employment (VOE) on the purchase of residential property. In addition, we would promote responsible asset securitization of all types of collateral. This action would increase inter-bank trading and ultimately assure liquidity in the secondary mortgage and asset backed markets. The net effect would be the creation of jobs in the financial services and banking sectors. If we focus on sensible lending practices the mortgage market will

eventually heal itself and reduce its current fiscal drag on the federal budget and the economy. Depoliticize Fannie Mae and Freddie Mac and allow them rise out of conservatorship. This alone will signal the increasing health of the mortgage market.

The homestead program for “eligible” illegal immigrants along with a program to provide tax incentives for purchasing bank owned foreclosed homes will free up billions of dollars of clogged capital at banks across the nation.

The home mortgage interest deduction is responsible for billions of lost revenue every year and is expected to cost the U.S. \$131 billion in 2012. Only interest paid on your primary home loan should be tax deductible. On the other hand, all Americans should have the opportunity to modify and/or refinance their mortgages. Under our plan, homeowners that are current on their payments, but underwater on their mortgages will have an opportunity to refinance with their lender. To incentivize lenders to offer the refinancing option the federal government will guarantee the amount of the loan that represents “negative equity”. Lastly, ending the conservatorship of Fannie Mae and Freddie Mac and reinstating dividends to preferred stockholders will increase the investors, lenders, and borrowers confidence that the mortgage market is stabilizing. For a mere \$3.8 billion in preferred dividends paid each quarter the federal government will restore faith in the mortgage market and provide the agencies the ability to raise capital once more^{xxiii}.

Moratorium on Implementation of New Regulations

The United States must cut spending by delaying the implementation of several new regulations, including Dodd-Frank, Sarbanes Oxley, and Obama-Care. These new regulations will make it more expensive for startups to raise capital and will hurt the development of new jobs^{xxiv}. We propose a two year postponement on the newly planned programs and the elimination of regulations that unnecessarily hamper the growth of small businesses. Delaying the implementation of these regulations will help save approximately \$43 billion over the next year^{xxv}. After two years, if the economy shows signs of expansion, these new regulations will be implemented.

Prison Reform

Taxpayers are paying about \$70 billion a year to maintain our current prison system^{xxvi}. The number of incarcerated individuals in the United States has been growing at a disproportionate rate. A significant source of prisoners is the governments “war on drugs.” Since 1980, the number of incarcerated drug offenders has increased twelve-fold and they now account for 22% of all inmates. The legalization of marijuana would considerably decrease the number of drug related incarcerations, putting less stress on the prison system. For those who commit lesser, nonviolent crimes, the prison sentences can be lessened, the fines levied can be elevated, and the amount of required community service can be extended. These same prisoners can be provided the option of military service, allowing them to enlist in the military and serve our country. They can be provided room, board and medical benefits on par with any other enlisted soldier. However, these individuals would forego any salary in return for avoiding incarceration. This emphasizes the notion that the U.S. is a great, compassionate nation that promotes personal responsibility and values military service.

Currently, there are about 2.3 million prisoners in the United States^{xxvii}. The average cost of a state prisoner is \$23,876 per year^{xxviii} and the average pay of a newly enlisted private in the Army is \$17,600^{xxix}. If 100,000 state inmates choose the military redemption option, there would be a \$4.15 billion net reduction in the deficit per annum^{xxx}. This is a low risk option that saves billions of dollars and alleviates pressure on the prison system.

In addition to the aforementioned military service option, a second option would allow inmates to work for state or federal public projects (construction, energy infrastructure, recycling of waste etc.). Under the reformed system inmates would have the opportunity to become productive members of society—creating benefits and reducing costs to our society, while learning trades that will be useful after incarceration.

National Energy Policy

Energy policy reform should focus on reducing the United States reliance on foreign oil by promoting the consumption of domestically produced energy. Of the reviewed plans for energy reform, the policy suggested by T. Boone Pickens was chosen as the most practical solution. Under the plan, a tax credit will be provided for the replacement or modification of buses and tractor trailers running on gasoline or diesel; the new engines must be natural gas compatible. The net effect will reduce our imported oil consumption by 20% to 30% and impose an expected cost to the federal government of \$3 to \$4 billion^{xxxix}. Additionally, current gasoline filling stations will be retrofitted to offer natural gas. To keep the upfront conversion costs at around \$2 billion, we suggest initially limiting the retrofitting to occur every fifty miles along interstate highways^{xxxix}.

To promote domestic energy production, investments will be made to build wind and nuclear plants in areas with high unemployment. These investments will increase the demand for skilled labor, which can initially be satisfied with the existing labor pool. We expect the unemployment rate to decline, therefore creating a demand for retraining programs. Careful planning by the federal government must result in identifying key sectors of the economy that we as a society need to focus on for systematic retraining efforts.

Additional federal credits will be made available to upgrade heating and air cooling systems at all public schools and government buildings, while avoiding any additional tax credits to residential consumers. The deployment of new equipment will reduce foreign oil consumption by 20% to 30% per annum. The implementation of this program will increase the demand for energy technicians that have expertise in electrical, heating and cooling systems for many years to come. In order to further the domestic benefits of the effort, the tax credits will only be available for equipment that is predominately manufactured in the U.S.

To help pay for the new national energy policy the United States will increase the federal excise tax on gasoline by \$.10. The U.S. is expected to use 138.45 billion gallons of gas in 2011. The additional excise tax would generate approximately \$13.8 billion in revenue annually^{xxxix}. Oil and gas producers

will be required to pay an additional \$1 per barrel tax on oil production and pay into a self-funded environmental clean-up fund. The tax increase for oil producers will generate estimated revenue of \$3.3 billion per year^{xxxiv}. In return, the oil producers will be provided the opportunity to acquire more drilling leases domestically. Combined, these efforts will reduce our \$181 billion per year consumption of OPEC produced oil, which will result in benefits far broader than monetary savings alone^{xxxv}.

Conclusion

The colossal debt has been an unwelcomed weight on the United States economy and now is the time to take action by developing a non-partisan deficit reduction plan. Our proposal—one of many available—could reduce the national debt in the first year of implementation by approximately \$450 billion and over ten years could result in a debt reduction of \$3.5 Trillion. We believe our plan is a solid framework for a policy aimed at strengthening the foundation of the U.S. economy and stabilizing the federal debt that is asphyxiating the prospects of growth in our great nation. Our culture has changed over the last 50 years. We decided to take the higher road and use our pen instead of protesting. We want to take this opportunity to assist our politicians in defining the massive paradigm shift that our economy and our culture will undergo.

ⁱ Life expectancy, Source: <http://www.efmoody.com/estate/lifeexpectancy.html>. National Vital Statistics System. Life Expectancy

Year	Men	Women
1950	65.5	71
1960	66.8	73.2
1970	67	74.6
1980	70.1	77.6
1990	71.8	78.8
2000	74.3	79.7
2010	75.7	80.8

ii Source: <http://www.opm.gov/retire/faq/pre/faq11.asp>. Office of Personnel Management

Federal Minimum Retirement Age (MRA)	Year Born
55	Before 1948
Between 55-57	1949-1969
57	1970 and on

iii Source: <http://opm.gov/retire/pre/csrs/eligibility.asp>. Office of Personnel Management

Federal Retirement Age for Most Pensions	Years of Service Completed
62	5
60	20
55	30

iv Congressional Budget Office <http://cbo.gov/ftpdocs/123xx/doc12316/BudgetTables.pdf>

144 Federal + 71 Veterans = \$215 billion in 2011

v Calculation of Saving for Federal Pensions

Average Life = (75.7 + 80.8) / 2 = 78.3 years

Current Average Pension Length = 78.3-61 = 17.3 years

New Average Pension Length 17.3 years – 2 years = 15.3 years

New Yearly Federal Pension Cost = (15.3/18.3) * \$215 billion = ~\$179.8 billion

Savings = \$215 billion - \$179.8 billion = \$35.2 billion

vi <http://www.whitehouse.gov/sites/default/files/omb/budget/fy2012/assets/health.pdf>

<http://www.whitehouse.gov/sites/default/files/omb/budget/fy2012/assets/socsec.pdf>

2011: Medicare and Medicaid Mandatory Outlay \$818.4 billion

2011: Social Security Mandatory Outlay: \$791 billion

818.4+791=\$1.61trillion

vii “Household Income – Distribution by Income Level and State.” U.S. Census Bureau 30 September 2011. 19 Oct.

2011 < <http://www.census.gov/compendia/statab/2012/tables/12s0706.xls>>.

http://www.census.gov/compendia/statab/cats/income_expenditures_poverty_wealth.html

viii <http://www.ssa.gov/cgi-bin/benefit6.cgi> 3.1 million people * 1807 * 12 = \$67.2 billion

ix <http://www.irs.gov/taxstats/indtaxstats/article/0,,id=96621,00.html>

334851 returns for foreign income – 251757 returns with less than 75000 income * 85000 = \$7.1 billion

x <http://www.fanniemae.com/resources/file/research/housingsurvey/pdf/nhs-monthly-data-101011.pdf>

http://www.jchs.harvard.edu/publications/homeownership/w04-1_di.pdf

850,000 (home sold over \$1 million in 2001) * 1% * 1,730,000 (average price of homes sold over \$1 million in 2001) = 14,705,000,000

xi Number of cars valued over \$100,000 sold in September = 81,824; Tax 2% of the first 100,000 spent:

100,000 * 2% * 81,824*12months = \$1,963,776,000 revenue “Auto Sales – Market Data Center.” *Wall Street Journal* 3 Oct. 2011. 19 Oct. 2011 <http://online.wsj.com/mdc/public/page/2_3022-autosales.html#autosalesE>.

<http://www.epa.gov/fueleconomy/guzzler/420b11034.pdf>

xii Projected total sales from leading online retailers in 2011 = \$191.7 billion; \$191.7 billion * 1% = \$1.917 billion revenue

“Forrester Forecast: Online Retail Sales Will Grow to \$250 billion by 2014.” *Forrester Research, Inc* 8 March 2010.

xiii <http://www.g2mil.com/OBCL.htm>

xiv http://dbb.defense.gov/pdf/DBB_Military_Retirement_Final_Presentationpdf.pdf

xv

http://tricare.mil/mybenefit/ProfileFilter.do;jsessionid=TysRTgC1vRWMVf8YQMhKcF9ZtKk80pPsw9vNX6rLhmtD8YnyDyK!1159566628?ref=Benefits_at_a_Glance&puri=%2Fhome%2Foverview%2FWhatIsTRICARE%2FTRICAREBenefitAtAGlance

xvi <http://www.ahipresearch.org/pdfs/2009IndividualMarketSurveyFinalReport.pdf>

xvii “Retired Military Personnel.” Patrick Air Force Base: The Intercom, Florida. June 2009.

Savings =(6328 – 520) * 1.98 million retired military personal = \$11.5 billion

^{xviii} Jordan, Miriam. "Number of Illegal Immigrants Holding Steady at 11 Million." *Wall Street Journal*. 1 February 2011. Web. 16 October 2011.

^{xix} Barnes, Ed. "Illegal Immigration Costs U.S. \$113 Billion a Year, Study Finds." *Fox News*. 10 July 2010. Web. 16 October 2011

^{xx} **60 percent * 11 million * 3000 = \$19.8 billion. 60 percent * 11 million * 1000 = \$6.6 billion**

^{xxi} **Calculation: estimate 60% of illegals get job at \$30,000 and 25% tax rate = \$49.5 billion**

^{xxii} **Easton, Stephen. "Legalize Marijuana for Tax Revenue." *Bloomberg Businessweek*. 2009. Web. 19 October 2011.**

^{xxiii} <http://www.standardandpoors.com/ratings/articles/en/us/?assetID=1245314207570> 2.2billion + 1.6 billion

^{xxiv} Koenig, Brian. "Obama's Seven New Regulations Would Cost U.S. Economy Billions." *The New American*. N.p., 31 8 2011. Web. 19 Oct 2011. <<http://thenewamerican.com/economy/commentary-mainmenu-43/8820-obamas-seven-new-regulations-would-cost-us-economy-billions>>.

^{xxv} Projected Savings from Moratorium: (\$100 billion / 7) x 3 = 42.857 billion; 7 regulations at about \$100 billion, so 3 (Dodd-Frank, Sarbanes Oxley, and Obama-Care) at around \$43 billion.

^{xxvi} "Direct expenditures by criminal justice function, 1982-2007." *U.S. Bureau of Justice Statistics*. Web. 19 October 2011.

^{xxvii} Sabol, William J., Ph.D.; West, Heather C., Ph.D. "Prisoners in 2008." *U.S. Bureau of Justice Statistics*. 8 December 2009. Web. 16 October 2011.

^{xxviii} "One in 100: Behind Bars in America 2008." *The Pew Center on the States*. 28 February 2008.

^{xxix} "Basic Pay for Active Duty Soldiers." *U.S. Army*. Web. 16 October 2011.

^{xxx} Calculation: (23876 + 17600) * 100,000 = 41476 * 100000 = 4.15 billion

^{xxxi} <http://featured.matternetwork.com/2011/4/new-pickens-plan-good-us.cfm>

^{xxxii} 46876 miles / 50 miles * 2 million/ station = \$1.88 billion

^{xxxiii} <http://blogs.wsj.com/economics/2011/06/18/number-of-the-week-compensating-for-high-gas-prices/>
138.45 billion * 0.10 = 13,845,000,000

^{xxxiv} <http://www.indexmundi.com/g/g.aspx?c=us&v=88>
9,056,000 (barrels produced per day in 2009) * 365 = 3,305,440,000

^{xxxv} 4) http://articles.businessinsider.com/2010-08-23/markets/29970603_1_opeo-oil-revenue-oil-prices (U.S. Energy Information Administration)

Estimated Number of Illegals	11,200,000
Percent Joining Program	60%
Number in Program	6,720,000
Registration Fee	\$3,000
Total Registration Revenue	\$20,160,000,000
Annual Fee	\$1,000
Total Annual Revenue	\$6,720,000,000
Average Salary	\$25,000
Percent Working (not stay at home)	70%
Tax Rate	5%
Yearly Tax Revenue	\$5,880,000,000

Salary Level	Est. Average Salary	% of non Tax Payers	# of People	Revenue Added
Under \$25,000	\$15,000	76.00%	57,832,960	\$43,374,720,000.00
\$25,000-\$30,000	\$27,500	7.00%	5,326,720	\$7,324,240,000.00
\$30,000-\$40,000	\$35,000	7.50%	5,707,200	\$9,987,600,000.00
\$40,000 - \$50,000	\$45,000	4.50%	3,424,320	\$7,704,720,000.00

\$50,000 - \$60,000	\$55,000	2.50%	1,902,400	\$5,231,600,000.00
\$60,000-\$75,000	\$67,500	1.50%	1,141,440	\$3,852,360,000.00
\$75,000-\$100,000	\$87,500	0.63%	476,500	\$2,084,687,500.00
\$100,000-\$200,000	\$140,000	0.35%	264,460	\$1,851,220,000.00
\$200,000 and up	\$400,000	0.03%	20,000	\$400,000,000.00
Sum		0.999737174	163,956,897	\$81,811,147,500.00

0.997

Assumptions		Source?
Tax Payers	164,000,000	Tax Policy Center
% of Filers That Do Not Pay Income Taxes	46.4%	Tax Policy Center
Number of Filers That Do Not Pay Income Taxes	76,096,000	Calculation
Minimum Payment	5%	Our Suggestion

Adjusted Gross Income		Average Income Tax as % of AGI
Low End	High End	
\$ 1	\$ 10,000	0.4%
\$ 10,000	\$ 20,000	0.9%
\$ 20,000	\$ 30,000	2.5%
\$ 30,000	\$ 40,000	4.0%
\$ 40,000	\$ 50,000	5.3%
\$ 50,000	\$ 60,000	6.3%
\$ 60,000	\$ 70,000	6.9%
\$ 70,000	\$ 80,000	7.5%
\$ 80,000	\$ 90,000	8.0%
\$ 90,000	\$ 100,000	8.6%
\$ 100,000	\$ 125,000	9.9%
\$ 125,000	\$ 150,000	11.7%

\$ 150,000	\$ 175,000	13.4%
\$ 175,000	\$ 200,000	14.9%
\$ 200,000	\$ 300,000	17.5%
\$ 300,000	\$ 400,000	21.3%
\$ 400,000	\$ 500,000	23.2%
\$ 500,000	\$ 1,000,000	24.2%
\$ 1,000,000	and UP	24.4%