

ANALYSIS OF FINANCIAL IMPACT OF ENDING FEDERAL INCOME TAXES

by: Family Guardian Fellowship
<http://famguardian.org>

Assumptions:

1. Federal personal, estate, and gift taxes ended.
2. Medicare, medicaid ended and families and churches take responsibility for care of older Americans.
3. Social security and disability insurance participation is made voluntary and people can stop contributing at any time and collect income based both on their contributions to date and what government can afford to pay them.
4. Social security benefits may need to be reduced in order to balance federal budget. Keep in mind that according to the Supreme court, Social Security is not a contract and is NOT insurance, and the government has every right to pay whatever it can afford, including nothing, to recipients. Younger workers should NOT be forcibly held financially responsible for the poor stewardship of our federal government over the Social Security trust fund and the apathy of the electorate in forcing elected officials to better manage it. To do so would be to erect a totalitarian socialist geritocracy whereby older voters abuse their political power to have government plunder the assets and earnings of younger workers, which would amount to theft and plunder mandated by law.
5. There are other ways to balance the budget after eliminating personal income taxes and we don't advocate any one specific approach. The above assumptions are only one specific example of how to balance the federal budget after the change.

			1998	1999	2000		PROJECTIONS (See note 12)		
1	ECONOMIC HEALTH INDICATORS								
#	Description	Note	Value	Value	Value		Avg rate of annual change(%)	Value in 10 years	Value in 20 years
1.1	Inflation rate	6	1.6	2.2	3.4		46.0%		
1.2	Mortgage rates	10	6.94	7.43	8.06		7.8%	17.0%	36.0%
1.3	Unemployment rate (%)	9	4.5	4.2	4.0		-5.7%	2.2%	1.2%
1.4	Tax rate (% of Personal income)	11	14.4	14.9	15.5		3.6%	22.1%	31.5%
1.5	<i>Misery index (sum of inflation, interest, unemployment, and tax rates)</i>	Calc.	27.5	28.7	30.9		6.2%	56.2%	102.2%
1.6	Annual trade deficit (billions)	5, Tbl. 1	-151.7	-250.9	-364.0		55.2%	-29579.9	-2403768.7
1.7	Gross Domestic Product (billions, curr dollars)	5, Tbl. 1	8,781.5	9,268.6	9,872.9		6.0%	17736.6	31863.7
1.8	GDP growth	5, Tbl. 1	5.6	5.5	6.5		8.2%	14.3	31.4
1.9	National debt as Percent of GDP	Calc.	79.6%	74.5%	69%		-6.6%	34.9%	17.6%
1.10	Federal government income as percent of GDP	Calc.	19.9%	20.2%	20.9%		2.6%	27.1%	35.0%
1.11	Government consumption expenditures & Investment (TOTAL)	5, Tbl. 1	1,538.5	1,632.5	1,741.0		6.4%	3,230.9	5,995.7

1.11.1	Federal	5, Tbl. 1	539.2	564.0	590.2		4.6%	927.4	1,457.1
1.11.2	State and local	5, Tbl. 1	999.3	1,068.5	1,150.8		7.3%	2,331.0	4,721.7
1.12	Population (thousands)	4	270,509	272,945	275,306		0.9%	300,597.6	328,212.7
1.13	Personal income (billions)	5, Tbl 4	7,426.0	7,777.3	8,319.0		5.8%	14,685.7	25,924.9
1.14	Disp. Personal Income (billions)	5, Tbl 4	6,355.0	6,618.0	7,031.0		5.2%	11,661.2	19,340.4
1.15	Avg income per capita	Calc.	27,452	28,494	30,217		4.9%	48,855.9	78,991.0
1.16	Disp. Personal Income (DPI) per capita	8	23,493	24,247	25,539		4.3%	38,793.9	58,928.6
1.17	State and local taxes								
1.18	Personal savings rate (% of Disp. Pers. Income)	5, Tbl 4	4.7	2.4	1.0		-53.6%	0.0	0.0
2	RECEIPTS								
#	Description	Note	Billion	Billion	Billion	Percentage	Avg rate of annual change(%)		
2.1	Individual income taxes	3	828.60	879.50	1,004.50	48.60%	10.2%	2,647.8	6,979.6
2.2	Social insurance and retirement receipts	3	572.00	611.80	652.90	31.59%	6.8%	1,265.0	2,451.1
2.3	Estate and gift taxes	3	24.00	27.70	28.90	1.40%	9.9%	74.1	190.0
2.4	Unemployment taxes	3	26.40	25.60	26.60	1.29%	0.4%	27.8	29.0
2.5	Subtotal personal income taxes:	3	\$1,451.00	\$1,544.60	\$1,712.90	82.87%		1,712.9	1,712.9
2.6	Customs duties	3	17.70	18.40	19.40	0.94%	4.7%	30.7	48.6
2.7	Corporate income taxes	3	186.30	182.20	204.30	9.88%	5.0%	331.7	538.4
2.8	Excise taxes	3	57.60	70.50	69.30	3.35%	10.3%	185.5	496.5
2.9	Other taxes and receipts	3	26.60	42.00	56.30	2.72%	46.0%	2,472.7	108,605.2
2.10	Misc earned revenues	3	7.40	10.50	4.80	0.23%	-6.2%	2.5	1.3
2.11	Subtotal other taxes	3	\$295.60	\$323.60	\$354.10	17.13%		354.1	354.1
2.12	TOTAL RECEIPTS:	3	\$1,746.60	\$1,868.20	\$2,067	100.00%			
3	EXPENDITURES								
#	Description	Note			Billion	Percentage	Avg rate of annual change(%)		
3.1	Social Security	3	378.70	387.70	410.10	20.87%	4.1%	611.6	912.0
3.2	Medicare	3	193.10	185.30	199.40	10.15%	1.8%	238.0	284.1
3.3	Medicaid	3			117.90	6.00%			
3.4	Health	3	124.20	139.90					
3.5	Income security (disability insurance)	3	174.10	181.80	189.80	9.66%	4.4%	292.3	450.1
3.6	Education, training, employment, and social services	3	51.40	56.50	53.30	2.71%	2.1%	65.8	81.2
3.7	Subtotal Social Welfare:	3	\$921.50	\$951.20	\$970.50	49.39%	2.6%	1,257.7	1,629.8
	Defense:	3							
3.8	Veterans benefits	3	158.90	-45.90	115.40	5.87%	-240.2%	3,374.2	98,658.9
3.9	National defense	3	321.60	413.20	397.30	20.22%	12.3%	1,269.4	4,055.6

	<i>Other functions:</i>	3							
3.10	International affairs	3	18.80	20.00	23.90	1.22%	12.9%	80.7	272.6
3.11	General science, space, and technology	3	19.80	17.40	17.60	0.90%	-5.5%	10.0	5.7
3.12	Agriculture	3	16.80	24.80	35.20	1.79%	44.8%	1,424.1	57,616.9
3.13	Administration of justice	3	26.90	29.60	34.40	1.75%	13.1%	118.1	405.4
3.14	General government	3	26.40	20.50	19.50	0.99%	-13.6%	4.5	1.0
3.15	Interest*	3	243.10	230.10	230.20	11.72%	-2.7%	175.9	134.5
	<i>Physical resources:</i>	3							
3.16	Energy	3	1.40	0.50	2.50	0.13%	167.9%	47,530.5	
3.17	Natural resources and environment	3	22.80	24.20	26.70	1.36%	8.2%	58.9	130.0
3.18	Commerce and housing credit	3	25.80	14.30	30.80	1.57%	35.4%	638.1	13,221.4
3.19	Transportation	3	37.90	43.00	48.50	2.47%	13.1%	166.4	571.2
3.20	Community and regional development	3	12.30	12.10	12.50	0.64%	0.8%	13.6	14.8
3.21	Subtotal Core government functions	3	\$932.50	\$803.80	\$994.50	50.61%	5.0%	1,614.0	2,619.5
3.22	TOTAL EXPENDITURES:	3	\$1,854.00	\$1,755.00	\$1,965.00	100.00%	3.3%	2,722.2	3,771.0
4	ASSETS								
#	Description				Billion	Percentage	Avg rate of annual change(%)		
4.1	Cash and other monetary assets	3	96.8	115.2	104.9	11.51%	5.0%	171.4	280.1
4.2	Accounts receivable	3	36.1	35	32.3	3.54%	-5.4%	18.6	10.7
4.3	Loans receivable	3	166.8	183.7	207.6	22.78%	11.6%	620.5	1,854.7
4.4	Taxes receivable	3	27.1	22.7	23.3	2.56%	-6.8%	11.5	5.7
4.5	Inventories and related property	3	166.8	173.3	185.2	20.32%	5.4%	312.8	528.4
4.6	Property, plant, and equipment	3	299.3	298.8	298.5	32.75%	-0.1%	294.5	290.6
4.7	Other assets	3	59.9	54.3	59.7	6.55%	0.3%	61.5	63.4
4.8	Subtotal Assets:	3	\$852.80	\$883.00	\$911.50	100.00%	3.4%	1,271.5	1,773.6
5	LIABILITIES								
#	Description	Note			Billion	Percentage	Avg rate of annual change(%)		
5.1	Accounts payable	3	90	85.8	91	1.33%	0.7%	97.5	104.6
5.2	Federal debt securities held by the public	3	3717.7	3631.6	3408.5	49.77%	-4.2%	2,212.5	1,436.1
5.3	Federal employee and veteran benefits payable	3	2685.1	2600.7	2757.8	40.27%	1.4%	3,184.4	3,677.0
5.4	Environmental and disposal liabilities	3	224.5	313.2	301.2	4.40%	17.8%	1,555.1	8,028.9
5.5	Benefits due and payable	3	77.6	73.8	77.8	1.14%	0.3%	79.9	82.0
5.6	Loan guarantee liabilities	3	37.7	35.1	37.3	0.54%	-0.3%	36.1	35.0
5.7	Other liabilities	3	154.6	169	175	2.56%	6.4%	326.4	608.8
5.8	Subtotal Liabilities:	3	\$6,987.20	\$6,909.20	\$6,848.60	100.00%	-1.0%	6,195.8	5,605.2

6	NET WORTH		(\$6,134.40)	(\$6,026.20)	(\$5,937.10)			
7	ANALYSIS OF ENDING INCOME TAXES NOW							
#	Description	Note	Value	Units	Calculation formula			
7.1	Income tax revenue lost	Calc.	1,033.40	Billion	(Item 2.1 + Item 2.3) in FY2000 column.			
7.2	Savings on federal government expenditures for medicare, medicaid, and health expenses	Calc.	317.30	Billion	(Item 3.2)+(Item 3.3) + (Item 3.4)			
7.3	Net revenue loss	Calc.	716.10	Billion	(Item 7.1)-(Item 7.2)			
7.4	Percent revenue lost from changes	Calc.	41.00%	%	(Item 2.1 + Item 2.3) in Percentage column.			
7.5	Total federal government receipts	Calc.	1,350.90	Billion	(Item 2.12)-(Item 2.1+Item 2.3) in FY2000 column			
7.6	Federal government income as percent of GDP following elimination	Calc.	6.88%	%	((Item 2.5)-(Item 3.2)-(Item 2.1))/(Item 1.7) for FY2000 column			
7.7	Annual disposable federal government income after debt payments	Calc.	1,120.70	Billion	(Item 7.5)-(Item 3.15 in FY2000 column)			
7.8	Personal income (billions)	Calc.	9,035.1	Billion	(Item 7.3)+(Item 1.13 in FY2000 column)			
7.9	Disp. Personal Income (billions)	Calc.	7,747.1	Billion	(Item 1.14 in FY2000 column)+(Item 7.5)			
7.10	Percent change in Disp. Personal Income	Calc.	10.2%	%	((Item 7.9)-(Item 1.14 FY2000 column))/(Item 1.14 FY2000 column)			
7.11	Avg income per capita	Calc.	\$32,818.39	\$	(Item 7.8)/(Item 1.12)*1,000,000			
7.12	Disp. Personal Income (DPI) per capita	Calc.	\$28,139.96	\$	(Item 7.9)/(Item 1.12)*1,000,000			

NOTES AND SOURCES:

- 1 The Note column indicates the note in this list that is pertinent for the corresponding row.
- 2 Rate of annual changes is computed by using the previous two years of fiscal data and projecting a trend line showing the rate of change.
- 3 Items 2 through 6 derive from the **Financial Report of the U.S. Government**, available from:
<http://www.fms.treas.gov/cfs/index.html>
- 4 Source is <http://landview.census.gov/prod/2001pubs/statab/sec01.pdf>
- 5 <http://www.bea.doc.gov/bea/ARTICLES/2001/08august/0801GDP.pdf>
See <http://www.bea.doc.gov/> for overall list
- 6 <http://landview.census.gov/prod/2001pubs/statab/sec15.pdf>, No. 772
- 7 <ftp://ftp.bls.gov/pub/special.requests/cpi/cpi.txt>
- 8 Disposable income is income after payment of personal taxes.
- 9 http://data.bls.gov/servlet/SurveyOutputServlet?series_id=LFU21000000&years_option=all_years&periods_option=specific_periods&periods=Annual+Data
- 10 <http://www.federalreserve.gov/releases/H15/data/a/cm.txt>
- 11 Percent of personal income spent on state and federal taxes
- 12 This is the projected value in the future based on the average annual rate of change

found in the "Average annual rate of change" column and the last known value in the latest fiscal year.