



AMERICANS *for* TAX REFORM

Grover G. Norquist
President

November 17, 2008

Mr. Neel Kashkari
Interim Assistant Secretary for Financial Stability
U.S. Department of the Treasury
1500 Pennsylvania Avenue, NW
Washington, DC 20220

Dear Secretary Kashkari:

I write today to formally request \$700 billion from the TARP Capital Purchase Program. Since unionized auto companies, state and local governments, and certain credit card companies are applying, I thought I should, as well. Attached you will find the two-page application which I downloaded from www.treas.gov.

I am fully aware that some \$125 billion has already been allocated as of October 29, 2008. However, given that the federal government has the full weight of the army, the FBI, etc. behind it, I am confident that you can re-appropriate this money from the likes of Wells Fargo (or their successor companies, if the current over-regulatory and over-taxing economic climate has caused them to go under).

I have a plan for this \$700 billion which should be just what's needed to get the American economy going. Since the money came from the taxpayers in the first place, I propose giving it back to them. With \$700 billion in TARP funding, ATR would facilitate the following tax cuts:

- Cut the corporate income tax rate from 35% to 15%, giving us one of the lowest corporate income tax rates in the developed world. We currently have the second-highest rate in the world (behind only Japan). This new 15% rate would give us the third-lowest rate in the world (ahead of only Ireland and Iceland). It would put us well below the Euro-zone average rate of 25%. Companies would be dying to set up shop in the United States. **Estimated JCT cost: \$170 billion¹**
- Eliminate the capital gains and dividends tax. These rates are currently 15%, but actually represent a double-tax on corporate profits. When combined with the new, lower 15% rate on corporate income, capital costs would be at their lowest levels in nearly a century. Tax something less, and get more of it. *This would also be an improvement over a suggested change we have made to the Treasury for years—allow taxpayers to index the cost basis of their capital assets to inflation (something which Treasury has the unilateral authority to do and which would be the equivalent of a 50% cut in the capital gains tax rate).* **Estimated JCT cost: \$35 billion²**

¹ Assumes current CIT revenue of 2% of \$15 trillion GDP. Static score reduction of 57% to account for rate reduction from 35% to 15%

² Based on 2006 IRS data (Table 3.4 SOI): <http://www.irs.gov/pub/irs-soi/06in34tr.xls>

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- Cut the top personal income tax rate from 35% to a flat 15%. This would give the U.S. the lowest personal income tax rate in the developed world. Estimated JCT score: \$235 billion³
- Kill the death tax. Almost nothing is more capital-killing for small businesses and family farms than the estate, gift, and generation-skipping transfer taxes. Estimated JCT score: \$24 billion⁴
- Allow companies to fully-expense capital assets purchased the first year. Under current law, businesses and other taxpayers must usually “depreciate,” or slowly-deduct, capital asset purchases the first year. This capital-boosting proposal would allow taxpayers to deduct 100% of the purchase price from their taxes in year one. Estimated JCT score: \$240 billion⁵

Put all that together, and you arrive at almost exactly \$700 billion. It’s safe to say that allocating \$700 billion this year toward these tax reduction goals would do much for economic growth. But there’s more that can be done that doesn’t require any more resources:

- Ensure that there is full transparency in the TARP program by putting every TARP transaction and contract online for everyone to see. Disclose potential conflicts of interest with TARP-oversight staff.
- Allow companies to repatriate foreign profits to the U.S. without having to pay a double tax. The last time Congress allowed this in 2005, over \$300 billion was repatriated, boosting GDP 2%.

I look forward to receiving the money. Please consult my staff for any ACH transfer information your people may need.

Sincerely,

Grover Norquist
GGN:rlc

³ Based on IRS data (score is the difference between actual 2006 ordinary modified taxable income at a 15% flat tax rate and actual 2006 ordinary income tax generated)

⁴ Sum total of estate, gift, and generation-skipping transfer tax receipts from 2004
<http://www.irs.gov/pub/irs-soi/04es02yd.xls>

⁵ Assumes gross domestic private investment of \$2 trillion. Assumes 15% flat tax rate. Assumes current-law depreciation rate of 20% annually. Current law revenue loss minus full expensing revenue loss is the result.

<http://bea.gov/national/nipaweb/TableView.asp?SelectedTable=122&Freq=Year&FirstYear=2006&LastYear=2007>

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