



WHERE YOUR "INCOME TAXES" REALLY GO

PRESIDENT'S PRIVATE SECTOR SURVEY ON COST CONTROL

[GRACE COMMISSION]

A REPORT TO THE PRESIDENT

[Excerpts]

SUBMITTED TO THE EXECUTIVE COMMITTEE FOR
CONSIDERATION AT ITS MEETING ON JANUARY 15, 1984

→ Importantly, any meaningful increases in taxes from personal income would have to come from lower and middle income families, as 90 percent of all personal taxable income is generated below the taxable income level of \$35,000.

→ Further, there isn't much more that can be extracted from high income brackets. If the Government took 100 percent of all taxable income beyond the \$75,000 tax bracket not already taxed, it would get only \$17 billion, and this confiscation, which would destroy productive enterprise, would only be sufficient to run the Government for seven days.

Resistance to additional income taxes would be even more widespread if people were aware that:

○ One-third of all their taxes is consumed by waste and inefficiency in the Federal Government as we identified in our survey.

○ Another one-third of all their taxes escapes collection from others as the underground economy blossoms in direct proportion to tax increases and places even more pressure on law abiding taxpayers, promoting still more underground economy -- a vicious circle that must be broken.

○ With two-thirds of everyone's personal income taxes wasted or not collected, 100 percent of what is collected is absorbed solely by interest on the Federal debt and by Federal Government contributions to transfer payments. In other words, all individual income tax revenues are gone before one nickel is spent on the services which taxpayers expect from their Government. *Borrow more!*

Our survey studied the small as well as the major items of cost savings, items of broad national impact as well as those of a more localized nature. I believe you will be interested in a few random examples of what we found:

○ In the Northwest, the Federal Power Marketing Administration is selling subsidized power at one-third of market rates. If the Federal power were priced at market, there would be a three-year