## Exhibit B – *NWTP* Summary

***Impact on Individuals:***

- Individual tax returns would be greatly simplified. The return would be in the form of a simple net worth statement (listing assets and liabilities) similar to that typically required for a home loan or credit card application. Only those individuals owning assets valued at $200,000 or greater would have to submit a net worth tax return. Individuals with assets valued at less than $200,000 would only be required to submit a simple certification (e.g., on a post-card-size return) to that effect.
- The assets to be reported would include financial assets and a limited range of non-financial assets, including real estate and net equity in privately held businesses.
- Real estate assets would be valued at their original purchase or transfer price and would not be subject to value reassessments until sold or transferred.
- Non-financial assets, including all forms of vehicles and other tangible items, would not need to be reported. There would be no need for depreciation schedules since depreciating assets would generally not be subject to taxation.
- Workers take-home pay would increase dramatically due to elimination of the 7.65% payroll tax deduction and elimination of the income tax.
- Disincentives to work and earning more income due to higher marginal tax rates would be eliminated.
- Owners of 401(k), IRA, and other tax-deferred savings plans would no longer have to pay a tax (or penalties) on withdrawals.
- The federal estate tax would be eliminated.
- The proposed national sales tax rate of 3% is low enough to be acceptable to the large majority of the country, especially in exchange for the elimination of the payroll and income tax.

***Impact on Businesses:***

- Corporations would be able to use the 10-K form most already prepare on an annual basis greatly simplifying tax reporting. Shareholder equity would be the basis for the corporation's net worth tax.
- Corporations would not have to connive to take advantage of the myriad loopholes currently in the rules and regulations for corporate taxes. If General Electric (GE) reports positive shareholder equity on its 10-K (which it always does and always would), GE would pay tax. Carrying loses forward and keeping profits overseas would have no tax benefit.
- Businesses would see an immediate $687 billion annual savings in Social Security payments. Hopefully, some of this would be put into the paychecks of employees.
- Hoarding cash by businesses would be reduced.
- Limited Liability Corporations (LLCs) would not be able to escape paying a net worth tax.

***Impact on the Economy:***

- A major boost to the economy would occur due to the substantial increase in take-home pay.
- The savings rate in the country, especially among the bottom 95%, would increase due to higher take-home pay and the elimination of tax on interest, dividends, and capital gains.
- Corporations would have an incentive to invest their cash and/or pay more of it out in the form of dividends rather than retain it and pay a higher tax on shareholder equity. This would give a boost to the economy.
- Under the *NWTP*, when the payroll tax is eliminated and payment of Social Security and Medicare benefits switches to a pay-go system with monies coming directly from the general revenue fund rather than a "trust fund." Congress would be able to cancel the associated intra-governmental "IOUs" and decrease our national debt, currently about $24.95 trillion, by $5.9 trillion.

***Fairness:***

- Taxes should be commensurate with the ability to pay, and a household's net worth is the best measure of its socioeconomic status and ability to pay. Net worth is also a good and fair measure of the extent to which a household has benefitted from the economic infrastructure provided by our commonwealth.
- Tax expenditures, which benefit the wealthy to a far greater degree than the poor or the middle-class and cost the federal government over $1 trillion a year, would be eliminated.
- Everyone would pay the same tax rates on net worth and the same sales tax on purchases of goods and services.
- The top 5%, which owns about 72% of the nation's wealth, would be called upon to pay a little more in the form of a surtax.
- Everyone would pay tax either in the form of the net worth tax and/or the consumption tax. The specious claim that some among us do not pay tax would no longer be able to withstand scrutiny.
- Corporations and other taxable organizations would pay their "fair share" of tax. A study prepared by the Citizens for Tax Justice found that shelters and loopholes in the current tax system rewarded certain companies at the expense of others. About a quarter of the companies examined in the study paid 35% on their profits while a similar percentage paid less than 10%. The *NWTP* would eliminate this disparity and make companies more accountable since all corporations would pay the same rate on shareholder equity.

***Legislative Impact:***

- The transition to the *NWTP* would be about as easy and uncomplicated as any such transition can possibly be. It would be easy for states to piggyback on the new federal tax system.
- The justification and citizenry support for a simple change to the sixteenth amendment to the Constitution to allow the federal government to lay and collect taxes on net worth and via a national sales tax would be substantial. Leading law scholars support the constitutionality of this approach to taxation.