

## ALEC EXPOSED

"ALEC" has long been a secretive collaboration between Big Business and "conservative" politicians. Behind closed doors, they ghostwrite "model" bills to be introduced in state capitols across the country. This agenda—underwritten by global corporations—includes major tax loopholes for big industries and the super rich, proposals to offshore U.S. jobs and gut minimum wage, and efforts to weaken public health, safety, and environmental protections. Although many of these bills have become law, until now, their origin has been largely unknown. With ALEC EXPOSED, the Center for Media and Democracy hopes more Americans will study the bills to understand the depth and breadth of how big corporations are changing the legal rules and undermining democracy across the nation.

## ALEC's Corporate Board

### -in recent past or present

- AT&T Services, Inc.
- centerpoint360
- UPS
- Bayer Corporation
- GlaxoSmithKline
- Energy Future Holdings
- Johnson & Johnson
- Coca-Cola Company
- PhRMA
- Kraft Foods, Inc.
- Coca-Cola Co.
- Pfizer Inc.
- Reed Elsevier, Inc.
- DIAGEO
- Peabody Energy
- Intuit, Inc.
- Koch Industries, Inc.
- ExxonMobil
- Verizon
- Reynolds American Inc.
- Wal-Mart Stores, Inc.
- Salt River Project
- Altria Client Services, Inc.
- American Bail Coalition
- State Farm Insurance

For more on these corporations, search at [www.SourceWatch.org](http://www.SourceWatch.org).

**DID YOU KNOW?** Corporations VOTED to adopt this. Through ALEC, global companies work as "equals" in "unison" with politicians to write laws to govern your life. Big Business has "a VOICE and a VOTE," according to newly exposed documents. **DO YOU?**

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### Personal and Business Flat Tax Act

#### Summary

This Act establishes a single, flat-rate tax on personal and business income. Though the ultimate flat tax on income is 0% or no income tax at all, if an income tax is imposed, a flat rate system is much preferable to a progressive rate structure. Currently, fourteen states have either a 0% tax on income or a flat rate tax on income. In this legislation, the single, flat-rate is determined by each individual state. The personal or business tax rate may not be increased except when 2/3's supermajority of the legislators in each House of the legislature vote to increase the rate. A revenue cap is also imposed to deter excessive government spending.

In this model, personal taxable income includes income from the following: wages, salary, pensions, and income derived from the individual's operation of a business or as a partner in a business, or as an independent contractor as determined on federal income tax forms 1040C and 1040F after elimination of interest and dividend income. Personal income does not include income from capital gains, interest, dividend income or social security and other government benefits. A generous personal deduction is allowed based on filing status. In addition, a deduction for dependents is also allowed. The amount of the deductions are determined by the individual state. The taxable income for the purposes of the flat business income tax is determined by using the net profits as determined on federal corporate tax returns after elimination of interest, dividend and capital gains income that are included in those returns. Though this bill establishes a pure flat tax with only a standard personal exemption, some states may elect to retain popular deductions such as the mortgage interest or the charitable contribution deductions.

#### Model Legislation

**Section 1. Title:** This act shall be cited as the Personal and Business Flat Tax Act.

**Section 2. {Legislative findings.}** The people of this state do find and declare:

- (A) Taxation policies have become a detriment to labor and business, contributing to high unemployment and a harsh business climate.
- (B) Tax laws have become so onerous and complex that it has become impossible for the average person or small business to prepare their own tax forms, thereby causing unnecessary costs.
- (C) Because state and local governments change the tax law so frequently, it has become difficult for people and businesses to engage in long-range economic planning.
- (D) The people of this state have sought to reduce their overall tax burden and to prohibit state and local governments from increasing taxes without a supermajority vote of the legislature.
- (E) A flat-rate tax on income is preferable to a progressive or graduated rate tax structure.
- (F) Flat-rate income taxes are significantly more favorable to economic growth than progressive taxes. Personal income in flat-rate income tax states grows faster than in states with a progressive rate structure.
- (G) Other states, such as Colorado, have demonstrated that flat-rates can spur work, savings and investment.
- (H) Graduated income tax rate systems slow economic growth and lead to higher state spending.

**Section 3. {Statement of Purpose.}** The people do hereby enact this amendment to accomplish the following:

- (A) To replace the various complex systems of taxation with a system the average person can understand.
- (B) To create a tax system that will ensure limited government and encourage economic growth.
- (C) To reduce the cost of implementing the tax system and collecting taxes.
- (D) To insure that income taxes bear equally upon all persons and businesses, so as to

Did you know that the Evergreen Freedom Foundation—which is connected to the Kochs—was the corporate co-chair in 2011?

give no person or business an advantage, nor put any person or business at a disadvantage.

(E) To increase this state's economic viability, increase the stability of the tax law over long periods of time to make it possible for people and businesses to engage in long-range economic planning.

#### **Section 4. {Definitions.}** As used in this Act:

(A) "State revenue" means all revenue received in the general fund of the state from taxes, assessments, fees, and all other revenues.

(B) "Tax" means a percentage rate imposed on all persons, with personal income for the benefit of the State. Tax includes any payment to the unit of state except assessments and fees.

(C) "Assessments" are compelled contributions of value to any unit of government for the purpose of reimbursing any unit of government for the cost of making improvements to real property, such as sidewalks and street lighting, provided the improvements directly and primarily benefit the assessed property.

(D) "Fees" are compelled contributions of value to any governments to reimburse the direct cost of providing goods or services to the person paying the fee or as fines imposed as penalties for non-compliance with state or local laws.

(E) "Incorporated businesses" include all for profit corporations, including Subchapter "S" corporations operating in the state.

#### **Section 5. {Personal Income Tax.}**

(A) There shall be a tax imposed upon taxable income of individuals where not explicitly prohibited by current federal law of individuals.

(B) Taxable income for purposes of the flat personal income tax shall be determined by:

(1) taking the value of all income from wages, salary, pensions, and income derived from the individual's operation of a business, or as a partner in a business, or as an independent contractor as determined on federal income tax forms 1040C and 1040F after elimination of interest and dividend income. Income does not include income from capital gains, interest, dividend income or social security and other government benefits.

(2) subtracting the following:

(a) Standard Deductions:

(1) \$ \_\_\_\_\_ joint return;

(2) \$ \_\_\_\_\_ head of household;

(3) \$ \_\_\_\_\_ single person or married couple filing separately.

(b) Dependents, not including spouse:

(1) Personal allowance for each dependent \$ \_\_\_\_\_

**Section 6. {Business Income Tax}** Taxable income for the purposes of the flat business income tax will be determined by using the net profits as determined on federal corporate tax returns after elimination of interest, dividend and capital gains income that are included in those returns.

#### **Section 7. {Determination of Flat Rate}**

(A) Personal flat tax: For each year beginning on or after January 1, 199\_\_\_\_\_, there is hereby imposed a tax on personal taxable income at a single percentage rate of \_\_\_\_%.

(B) Business flat tax: For each year beginning on or after January 1, 199\_\_\_\_\_, there is hereby imposed a tax on business taxable income at a single percentage rate of \_\_\_\_%.

(C) Revenue cap: A cap is imposed on the total revenue generated by the personal flat tax and the business flat tax. Total revenue generated by these two taxes cannot exceed X% of the income tax base, that is, the sum of the total personal taxable income and the total business taxable income. On or before June 1 of each year the Governor shall, in consultation with the Department of Revenue, determine whether the state revenue actually collected for the immediately preceding year is in excess of the revenue cap. Revenue in excess of the total revenue cap must be returned in the form of a income tax rebate or a tax credit applied to the subsequent year's tax return.

#### **Section 8. {Changes in Income Tax Rate, Assessments and Fees.}**

(A) The personal or business flat tax rate may not be increased except pursuant to an act of the legislature adopted with the concurrence of two-thirds (2/3) of all members of each House. The personal or business flat tax rate may be decreased by an act of the legislature with the concurrence of a simple majority of all members of each House.

(B) New assessments or changes to existing assessments may only be imposed by a two-thirds (2/3) vote of a legislative body comprised of elected officials, or by a two-thirds (2/3) vote of the voters.

(C) Only duly elected legislative bodies, comprised of elected officials may impose fees by a two-thirds (2/3) majority. All revenues generated from specific fees are to be held in trust for the stated purposes in the enacting resolution.

#### **Section 9. {Conflicting Interpretations.}**

(A) Any legislative body imposing assessments and/or fees shall be prepared to find by

substantial evidence that said creation is not a tax.

(B) After the implementing phase of this chapter, no legal or equitable process shall issue in any proceeding in any court against this state or any officer thereof to prevent or enjoin the collection of any tax.

(C) Any action of a tax declared illegal, after payment, an action may be maintained to recover the tax paid, with interest, in such a manner as is spelled out in equity in a common law courts.

**Section 10. {Effective Date.}**

Were your laws  
repealed?

**Section 11. {Severability Clause.}**

*ALEC's Sourcebook of American State Legislation 1996*

**About Us and ALEC EXPOSED.** The Center for Media and Democracy reports on corporate spin and government propaganda. We are located in Madison, Wisconsin, and publish [www.PRWwatch.org](http://www.PRWwatch.org), [www.SourceWatch.org](http://www.SourceWatch.org), and now [www.ALECexposed.org](http://www.ALECexposed.org). For more information contact: [editor@prwatch.org](mailto:editor@prwatch.org) or 608-260-9713.