Jason Syth
[redacted]

Ideas for Bipartisan Tax Reform Legislation (Individual Income Tax)

1. Simplify! Simplify! Simplify!
2. There shall be a single, unified form. No more choosing between Forms 1040, 1040A, or 1040EZ, based on one's income or tax situation. The new form, along with revamped tax forms for businesses and other organizations, shall have a more logical naming system, such as Form US-I for individuals and Form US-B for businesses.
3. The completed form shall be no more than 2 pages total.
4. The average American shall be able to complete the form by hand, in less than 1 hour, without the help of tax software or a tax professional.
5. The maximum federal tax rate shall be 25%.
6. The number of tax brackets shall be limited to two (10% and 25%) or three (10%, 15%, and 25%).
7. All income – whether it be gained from wages, self-employment, interest, dividends, capital gains, or other – shall be taxed at the same rate.
8. All, or nearly all, of the current deductions, tax credits, and other line items that benefit a select group of individuals based on their circumstances shall be eliminated.
9. Taxes on Social Security income, unemployment benefits, and income derived from other social programs shall be discontinued or instead replaced with a fee that is deducted from the calculated benefit before reaching the recipient. Income from socially-based programs shall not be entered on an individual's annual income tax form.
10. The Alternative Minimum Tax program shall be eliminated.
11. All individuals who have income shall pay into the system.
12. For the employed, the current Social Security (OASDI) payroll tax of 6.2% and the current Medicare payroll tax of 1.45% shall be combined into a single tax of 5%. Unlike the current Social Security payroll tax, this new combined tax shall have no wage base limit. All taxable earnings will be subject to this tax.
13. Retirement savings plans shall be revamped such that there is a single account type available to individuals (Individual Retirement Account) and a single account type for those who are also employed (Employment Retirement Account). These shall replace the various types of accounts that are currently in use, including 401(k), Roth 401(k), 403(b), SEP-IRA, Traditional IRA, Roth IRA, Profit Sharing Plans, Employee Stock Ownership Programs, and others.
14. The proposed retirement accounts shall have no income limits that would prevent an individual from making contributions into an account. Contribution limits initially shall be $10,000 for an Individual Retirement Account and $25,000 for an Employment Retirement Account. Contribution limits thereafter shall be indexed for inflation. No additional catch-up contribution based on age shall be allowed for either type of plan. Upon completion of employment with a company or organization, the Employment Retirement Account shall be rolled over into an Individual Retirement Account or into the Employment Retirement Account held at the individual's new employer.