



## A Citizen's 2% Solution: How To Repeal Investment Income Taxes, Avoid a Value-Added Tax, and Still Balance the Budget

**S. Douglas Hopkins**

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The American tax system is self-destructing and the progressive structure it claims to be is really a regressive scheme for sheltering the assets of the rich while overburdening middle-class payers, claims the author in this convincing call for a major tax overhaul. Hopkins has been a consultant for financially troubled companies for more than twenty-five years and is co-author of *Creating Solutions for Troubled Businesses*.

A devil's bargain between politicians who need donations to hold their offices and special interest groups all too willing to fund whoever will ensure that they remain special has resulted in a tax system riddled with loopholes. Even Warren Buffet, to his credit, acknowledges the unfairness of a system that, in 2006, required him to pay a tax rate of 17.7% of his \$46 million income, while the average rate his staff paid was 32.9%. Indeed, as the author shows, in fiscal year 2007, 2,606 citizens with an average income of \$2.1 million paid no income tax at all. The greatest federal tax burden of 40.3% is enforced on tax-payers earning between \$33,950 and \$106,800. Those earning more than \$373,000 pay 37.9%.

Certainly, Hopkins makes a compelling case for tax restructure. He offers a slimmed-down alternative to the current system: combine employment and income taxes into a two-tiered rate of approximately 25%-30% maximum tax rates, supplemented by a yearly 2% tax on assets, which would replace personal investment income taxes, corporate income taxes, estate and inheritance taxes, and gift taxes. The section devoted to this discussion is the best feature of the book. It is clearly written, with spirit and patience for readers who have trouble grasping these concepts.

The author's railings against the "Nanny State" of government regulation and political cronyism, however, are overly long and repetitive. He points out weaknesses of the democratic republic system, as have many other writers, that merit discussion, most notably runaway deficits that will make debtors of future generations. However, the book could have been shortened if these arguments were presented more concisely.

Overall, the author has written an engaging and accessible account that succeeds in meeting its goal of providing a discussion forum to address the inequities of the nation's less-than-progressive tax system.

KARL HELICHER (October 18, 2010)

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