

Federal Tax Reform: Good News-Bad News

THE BAD NEWS IS, a plan announcing a simpler tax code for Americans took 240 pages, not including the appendix, to explain. The good news is, retailers who were concerned that collecting the bulk of the nation's tax dollars was going to fall on their shoulders can probably quit worrying. The report issued in November by the President's Advisory Panel on Federal Tax Reform rejected a complete replacement of the federal income tax system with a retail sales tax. The panel concluded that the tax rate would have to be 34 percent or higher to keep revenues where they are, and even that wouldn't reduce regulatory costs. A value-added tax (VAT), however, received more favorable reviews. "The VAT can be thought of as a retail sales tax that is collected in small increments throughout the production process," the report concluded. **PARTING SHOT:** The business lobby appears to continue to have considerable strength.

Bird Flu

THE LATEST PREDICTION of a flu pandemic spread by chickens is causing concern for poultry growers. Equine retailers would be similarly concerned were a flu spread by horses to hit the world. In either case, the jitters would be likely to affect profits. Although U.S. consumers don't appear to be shunning chicken, caution is the watchword. Informational campaigns were set to begin in mid-November to inform consumers about how the avian flu can be contracted. Yum Brands, parent company of KFC, was also preparing television commercials and other materials to convince skeptics that chicken is safe to eat. A Department of Agriculture official has said that it's theoretically possible for someone to contract bird flu from eating undercooked, diseased chicken. **PARTING SHOT:** The upside for the equine industry would be that there is very little consumption of horse meat in the United States.



Cowboy on the Tax Panel?

A LENGTHY EXPLANATION of the Value-Added Tax (VAT) in the President's Advisory Panel on Federal Tax Reform used a bootmaker as an example. "A bootmaker makes and sells ... cowboy boots. He buys leather and other supplies for one pair from a leather [supplier] at a cost of \$200 before taxes. The bootmaker then sells each pair of boots he makes for \$500 before taxes." The leather supplier does not charge the bootmaker a tax. Under a VAT, the supplier would collect a tax of 10 percent or \$20 on the \$200 worth of supplies purchased by the bootmaker. "The bootmaker would pay the leather shop \$220 and the leather shop would send \$20 to the government. When the bootmaker sells the boots, he computes the VAT as \$50 and charges the shoe buyer \$550 for the boots." Instead of sending the \$50 to the government, the bootmaker would subtract the \$20 of VAT already paid to the leather supplier and remit \$30 to the government. Read the full report at www.taxreformpanel.gov. **PARTING SHOT:** Is there anything more painful than a proposal to spread the pain around? ☹

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