

May 22, 2007

Mr. Michael DuHaime, Campaign Manager  
Rudy Giuliani Presidential Committee, Inc.  
295 Greenwich Street, Suite 356  
New York, NY 10007

Dear Mr. DuHaime:

If Mr. Giuliani was quoted correctly, and in fact opposes the FairTax because of the current code's home mortgage and charitable deductions (please see the enclosed article), I would ask you to please study the FairTax Plan much more carefully. *The FairTax would greatly enhance both charitable giving and home ownership as compared to current law.*

Home ownership: Home purchases are far less favored under the current law than under the FairTax because the "true cost" of buying a home goes down under the FairTax. In a nutshell, homes are more affordable because the majority of homes bought in America are used, and used property is not taxed under the FairTax. Moreover, neither the interest nor the principal paid on new homes is taxed, new home prices do not bear taxes imposed upstream (i.e., in the wood, concrete, and other labor and materials needed), and the saving and investment needed to buy homes is not taxed multiple times as it is under the current system. In order to match the power of the FairTax for encouraging home ownership, the current tax system would have to at the very least: (1) allow all taxpayers to fully deduct the purchase of used property against income and payroll taxes, (2) expand the mortgage interest deduction so that it permits a deduction against payroll taxes, (3) fully untax interest income to lenders and institutions, and (4) fully untax returns on savings. For more information, see <http://www.fairtax.org/PDF/PromotingHomeOwnership.pdf>.

Charitable giving: Research shows that the FairTax increases charitable giving for two primary reasons: (1) when the economy grows, more people feel more generous and giving goes up, and (2) charitable contributions are untaxed (whereas, under the current system, they are largely taxed). The majority of charitable contributions today come from non-itemizers, so they are not deducted. And even for those few others, only the one-out-of-three taxpayers who itemize may deduct their contributions. Even then, the charitable deduction only offsets a portion of a taxpayer's tax liability and does nothing to offset payroll taxes that are the greatest burden for 80 percent of all Americans. Under the FairTax, all taxpayers can contribute out of their entire paycheck, not what is left after federal taxes are taken out. If the current system were to be as supportive of charity as the FairTax, it would have to allow every taxpayer to deduct charitable giving from both income and payroll taxes instead of allowing the lucky few who itemize to get a half a loaf. For more information, see <http://www.fairtax.org/PDF/TheImpactOfTheFairTaxOnCharitableGiving.pdf>.

It is understandable that candidates running for president would attempt to pay homage to what they feel are “popular” deductions like charity and home ownership. But Americans are smart enough to know that deductions, exemptions, exclusions, and loopholes are not the best way to run a tax system.

As you may know, the FairTax already has hundreds of thousands of strong supporters across the nation who are happy to “give up” these deductions in order to get a fair tax system which will unleash the true potential of our economy. In fact, just last week our campaign brought thousands of supporters to the Columbia, South Carolina candidate debate (see the enclosed articles) – something we plan on duplicating, if not exceeding, in Iowa and Florida.

We would encourage you to spend a few hours truly studying the FairTax. I think you will find that it meets all of your criteria for a fair, growth-oriented, and transparent tax system.

Warmest regards,

David C. Polyansky  
Chief Operating Officer  
Americans For Fair Taxation

*In the spirit of full disclosure, the newspaper article reporting Mr. Giuliani's positions is included here.*

As seen in the

## Gwinnett Daily Post

### **Giuliani: Tough approach to terror has kept U.S. safe**

05/17/2007 -

By Dave Williams  
Staff Writer  
dave.williams@gwinnettdaily.com

ATLANTA - America's aggressive stand in the war on terror has kept the nation from being attacked since Sept. 11, the man at the helm in New York during the destruction of the World Trade Center said Wednesday.

"You have to be on offense against terrorism. That's what I learned from Sept. 11," Republican presidential hopeful and former New York City Mayor Rudy Giuliani told

an audience of about 200 at Oglethorpe University. "When you show weakness, they take advantage."

Giuliani held what his campaign billed as a "town hall meeting" in a packed room inside the school's student center fresh off a debate in South Carolina on Tuesday night.

He and the other nine GOP candidates supported President Bush's refusal to go along with congressional Democrats in setting a timetable for pulling U.S. troops out of Iraq. The president recently vetoed a supplemental spending bill passed by the Democratic-controlled Congress that tied continued funding of the war to a schedule for withdrawal.

"Giving them a schedule of our retreat in advance is one of the most irresponsible things I've ever heard," Giuliani said.

Giuliani acknowledged that he and the other Republican candidates agree in large part on the two major issues framing next year's presidential election: terrorism and the economy.

He said while the Democratic candidates want to let the tax cuts Bush pushed through Congress expire in 2011, the Republicans favor keeping them.

"I think it's smart to give you money back rather than take it for the government," he said. "This is a stark difference in philosophy between me, a Republican, and what the Democrats would do if they take over in 2008."

But during a question and answer session that followed Giuliani's brief remarks, he took a more moderate stand than some of his GOP rivals on some issues.

He called for a comprehensive approach to immigration reform that would go after illegals who have committed crimes but allow those who otherwise have been law abiding to become citizens by paying a penalty.

"I would not give people amnesty," he said. "(But) if you're here and working ... come forward, get identified, pay taxes and you can work."

Giuliani said he supports simplifying the federal tax code as envisioned by the so-called "FairTax" legislation sponsored by U.S. Rep. John Linder, R-Duluth.

But he said abolishing the federal income tax, which Linder's bill would do, is unrealistic given the structure of the economy, which depends on tax exemptions for real estate and charitable giving.

Instead, Giuliani said, he would use the approach President Ronald Reagan took during the mid-1980s.

"He simplified the (tax) rates. He simplified the code," Giuliani said. "It's built back up over the last 20 years."

No questions about either abortion or guns came up on Wednesday. Giuliani's pro-choice and pro-gun control stands put him at odds with many Southern Republicans.

After the session, he noted that he is leading in polls across the region despite his well known views on those social issues.

"I think people realize this election is about how we deal with the terror and how we deal with the economy," he said.

Indeed, the ex-mayor's message on terrorism appeared to resonate most with Wednesday's audience.

"I like his defense policy," Kimberly Stewart of Atlanta said after the meeting. "We need to be on the offense. I think it's saved us from numerous attacks after 9/11."

Mike Rulison of Marietta, a physics professor at Oglethorpe, gave Giuliani high marks for being frank with the audience, including one point where he told a questioner he flat disagreed with her.

"He was very straightforward with his responses," Rulison said. "I was very impressed."