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Lies are morally wrong, then, for two reasons. First, lying corrupts the most important quality of my being human: my ability to make free, rational choices. Each lie I tell contradicts the part of me that gives me moral worth. Second, my lies rob others of their freedom to choose rationally. When my lie leads people to decide other than they would had they known the truth, I have harmed their human dignity and autonomy."
— Tim C. Mazur, "Lying," Markkula Center for Applied Ethics, article at www.scu.edu

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Wealth Creation Strategies

New IRS Regulations Upend Previous Repair vs. Capitalization Rules for Rentals and Businesses

A $30,000 Kitchen Remodel May be Currently Deductible, but a $6,000 HVAC Isn't. Usually.

Most business and rental expenses that are long-lived are required to be capitalized and depreciated (i.e., deducted over a number of years). Such long-lived expenses include buildings, building improvements, equipment, supplies and repairs to such assets expected to last more than one year. For businesses, think cars, computers, office remodels, telephone systems and the like; for real estate rental property, kitchen or bath remodels, heating and air conditioning, plumbing, electrical systems and flooring. Because the specific rules were messy, the IRS has been trying since the 1990s to formulate coherent regulations that clearly delineate what should be capitalized and depreciated vs. what can be currently expensed—radically different treatments with dramatically different tax results.

Decades in the making, new IRS regulations were finally issued in 2014. They upend the old rules by allowing current deductions for some expenses that tax professionals never dreamed could be currently deducted. However, except for a requirement to file a new form and make one or two special elections described below, few of our *business* clients will benefit from the "surprise" deductions; "Section 179" has allowed an immediate deduction for most otherwise depreciable business assets up to $500,000 per year since 2010 (and $250,000 for 2008 and 2009). However, Section 179 does not apply to rental property expenses and, as a result, the new regulations will save many of our clients with rental properties gobs of tax dollars both now as a "catch-up" and in future years, even if the new rules aren't really much clearer overall than the old ones.

Tax season starts early with yet another incomprehensible form

When new depreciation vs. expensing (capitalization vs. repair) rules were finalized in 2014, we figured they would result in an automatic change in what is termed a "method of accounting" for every affected taxpayer. We learned only in December the change is not "automatic" in the normal (English) sense of the term, because the law (remember: Congress makes law and the IRS interprets and enforces it), in classic Orwellian double-speak, does not give the IRS authority to eliminate a requirement to file a form "asking" for permission to change a method of accounting—even though the change is "automatic." Huh? According to the IRS, we *must* obtain their consent to switch to a new "method of accounting," the regulations constitute a "new" method, and we *must* adopt the new regulations if we hope to preserve ordinary deductions for nearly all businesses and rental property owners. Since we hope to preserve ordinary deductions, adoption of the new regulations isn't optional, then, is it? It's nuts. Therefore, an eight-page tax form, Form 3115, "Application for Change in Accounting Method," *must* be included with all tax returns reporting expenses from a business or rental property, along with an additional copy snail-mailed to the IRS Service Center in Ogden, Utah. It's government doing what it does best: creating unnecessary hurdles for people simply trying to conduct business.

And oh, what a nightmare this has been for us since December: in the same year your favorite tax pros get to become "health care" cops, we have to figure out the meaning of hundreds of pages of regulations (which do not resemble the "temporary" regulations we've been using for the past 20+

years). In addition, we have to get this nearly incomprehensible form readied for almost every client with a real estate rental property (Schedule E) or business (whether a sole proprietor, LLC, partnership, C corporation or S corporation). Finally, an annually-made special election to expense "small" expenditures (described below) must be made with every such return if we hope to preserve deductions for such expenses if audited. All of this work has been in addition to our usual massive undertaking of year-end tax planning, including our unique focus on Roth conversions.

The new regulations state that affected businesses and rental property owners are those that deduct supplies, repairs or depreciation. Because this includes virtually every business and rental property owner, the IRS says it "expects" every* such owner to file Form 3115, threatening to audit those returns that don't include it. Further, if the form is not filed, the IRS has broad discretion over whether a taxpayer can deduct routine maintenance or small supplies, or continue depreciating items that "should" have been deducted long ago. An auditor could require capitalization of what we normally consider repairs or low-cost supplies, or claim that capitalized items now deemed repairs by the new regulations *should* have been previously deducted; they might then deny current depreciation of those items. This could result in a permanent loss of deductions for anything that was placed in service more than three years prior to the year in which an audit takes place, since the statute of limitations for amending and deducting those items would have passed.

"Adjustment" = sometimes huge current deductions from assets currently being depreciated

By adopting the new regulations (i.e., filing Form 3115) business and rental property owners gain a good measure of protection from audits and capricious IRS agents who might disallow immediate deductions for ordinary repairs. In addition, we will be able to take large "catch-up" deductions for the remaining cost of certain assets currently being depreciated (known to us tax-geeks as a "Section 481(a) adjustment"). This will be worth thousands of 2014 tax dollars for those depreciating items over 15, 27.5 or 39 years that the new regulations tell us "should" have (or could have) been immediately expensed. More than 20% of our affected clients will see these substantial adjustments on their returns. For many more of you, this adjustment merely accelerates the additional deductions currently allowed by only a few years; in such cases, we will generally elect out of taking the adjustment, saving time and additional tax preparation fees.

What items can be adjusted?** To determine this, your tax pros need to understand a plethora of rules, including certain monetary caps and those allowing current deductions for items "expected" to be replaced more than once every ten years (in other words, previously depreciable expenses may now be deemed deductible under any of several rules). The biggest bonanza may be new "unit of property" rules. Trying to avoid your eyes glazing over (but over-simplifying), these rules require that any part necessary for the "proper functioning" of what the regulations define as a "unit of property" must be capitalized and depreciated. For buildings, a "unit of property" includes the structure of the building itself and nine different "building systems:" the HVAC (heating, ventilating and air conditioning), plumbing, electrical and security systems, floors and several others. The new regulations allow current deductions where replacements do not constitute a "large portion" of the items of the same type within a system or a "major component or substantial structural part of the unit of property or system," but are required to be depreciated where they do.

As an example, because an HVAC must include a compressor for the system to "work," replacing a $5,000 compressor or furnace isn't currently deductible; nor is replacing the entire plumbing or electrical system. But what if there are several compressors and you replace one, or you replace a toilet or sink when there are multiple bathrooms? If there are multiple compressors, replacing one or two out of five is not a "large portion" and is currently deductible. Replacing four or five (and probably three) would, however, constitute a "large portion" of items of the same type within a system and must be depreciated. Alternatively, replacing one toilet or sink when there are multiple bathrooms, which isn't required for the plumbing system to work, would also be currently deductible. Land is, apparently, a separate "unit of property." Is partial landscaping required for the "land" to "work?" Arguably not and it should, therefore, be deductible (along with, perhaps, patios, decks, driveways and the like). Since land improvements must otherwise be depreciated over 15 years and building components over 27.5 years for residential real estate rentals and 39 years for commercial property rentals, these new regulations will prove to be a huge boon for many rental property owners and some businesses.

As mentioned, a building structure and its structural components (including walls, windows, doors and roof) comprise a separate "unit of property." Is a kitchen alone or bathroom alone a "major component or substantial structural part of the unit of property or system"? Arguably, it is not; therefore, a $30,000 kitchen remodel could be deductible. Another "unit of property" constitutes the entire flooring "system" of a building. A living room floor by itself is not a "major component or substantial structural part of the unit of property or system" and would be currently deductible if replaced. The new regulations open the door not only to taking a special "adjustment" deduction in 2014 for such items that are currently being depreciated over decades, but also to careful "non-planning" for future large "building" expenditures—because if you "plan" to replace all of the floors or air conditioners over a several-year period, a current deduction would be denied.

In addition to all of this, there are at least two additional separate ongoing elections to be made on 2014 tax returns. One, which we'll make for every client with a real estate rental or business, is to currently deduct small mate-

rials and supplies costing $500 or less. It's silly, but essential if we are to expense small items that could theoretically last more than one year and keep this tax treatment in audit. Another election, which we'll decide whether to make on a case-by-case basis, will be to currently deduct repairs (not including supplies and materials) up to the lesser of $10,000 or 2% of the "unadjusted" basis of each rental property building (generally your original purchase price less amount allocated to land) for those spending a total of less than this for repairs on each rental building.*** The weird thing is the "unit of property" rules will likely allow us to deduct nearly but not everything for rental properties that would be deductible under this 2nd election—so we'll make the election for anyone with a rental for whom these rules might help.**** Both of these elections require the filing of an additional election statement.

The only downside to these complex rules (and the necessity to file additional tax forms) is that our fees will reflect the extraordinary amount of additional work. As market entrepreneurs, we recognize these forms are a complete waste of human capital, even while "crapitalists"—crony capitalists/ political entrepreneurs like H & R Block—look at this and "health care" reform as a "business opportunity." Yet, these fees will be deductible on 2015 tax returns and it's a one-time cost for which some will reap enormous tax benefits. In addition, most of you will recognize tax benefits on future returns that were never before possible. So, before Congress (or the IRS) changes its mind, it could be a great time to remodel that rental property!

* With an exception: taxpayers who began a business or their first rental property in 2013 or later will not have to file this form, as they have not yet "adopted" a method of accounting. Two years of tax returns containing a particular rental or business are required to file Form 3115 to "adopt" this new method of accounting, like it or not.

** Nothing changes the general rule that any and all expenses incurred before a business is started or a property is "put into service," i.e. rented to others, must be depreciated or amortized.

*** With exceptions: the building (not including land) must have an unadjusted basis of less than $1 million and the taxpayer cannot have gross income exceeding $10 million.

**** We can think of at least one example where the 2nd rule will help: pricey rental home cost $750,000 less land of $200,000 = $550,000; lesser of $10,000 or 2% of unadjusted basis = $10,000. Landlord spends $3,000 on routine maintenance and $6,000 for a new HVAC unit. While the HVAC would not be deductible under the "unit of property" rules, it might be under this "safe harbor" election for small taxpayers. There may be countless other examples with smaller numbers we haven't yet thought of.

Huge Tax Trap for those Who Used Their Home as a Rental at Any Time Since 2008

Since 1997, the law has allowed an exclusion of up to $250,000 of gain per person on the sale of a main home that was the primary residence for at least two of the five years immediately preceding the sale.* This figure, although eaten away by inflation and now worth only about $170,000 in 1997 dollars, is calculated per person and, therefore, allows up to $500,000 in tax-free gains for a married couple who both meet the two-out-of-five year rule (so long as at least one was on the home's title during this period and they file jointly).

The problem, aside from possibly helping to fuel the early 2000s real estate bubble, was people quickly learned to "game" the system. Some took a tax-free gain on one home and moved into a highly appreciated rental unit for two years and then took another tax-free gain.** Some with multiple rental properties and few personal belongings (or a willingness to use a storage unit) did it again—and again. Congress tired of the "loophole" and, in 2008, changed the law in a way that requires anyone who doesn't use their home as a "main" home at any time since 2008 to pay tax on part of any gain when it was not their primary residence (unless the rental use of less than three years was after the "main home" use). Unfortunately, the law was written with a "one size fits all" approach, adversely affecting some taxpayers who never intended to "game" the system (which includes at least several clients who have recently moved into former rentals).

Over-simplifying, the 2008 law change requires you to pro-rate the $250,000 exclusion: the number of qualifying residence-use days divided by the total number of days the property was owned from 2009-on yields the portion of the $250,000 exclusion that is tax-free; the balance is taxable. Non-qualified use includes periods of use as a second home, vacation home, rental property, or even while a family member lives there but you don't, if such use occurred before you moved in. Qualifying residence-use is the time you or your spouse actually lived in the property plus any time up to three years after you moved out. This creates some very non-intuitive results.

Let's say you lived in the property from 2009 through 2012, someone else lived in it during 2013 and 2014 (whether rented or not) and then you sold it in 2015. Because you lived in the home for two of the five years immediately prior to the sale and the time you didn't live there was only *after* you moved out, except for any applicable depreciation "recapture" the entire gain is excluded.

Let's say instead you rented out the property from 2009 through 2012 and lived in it during 2013 and 2014. Because you lived in the home for two of the five years immediately preceding the sale, you get an exclusion—but since it was not your main home before you moved in, you do not qualify for the full $250,000 exclusion. Instead,

you get a pro-rated exclusion, which is calculated by dividing the number of days it was your home by the total number of days owned since January 1, 2009. Simplifying and using full years rather than the more cumbersome number of days, if you lived in it for two years and owned it for six, you exclude one third and pay tax on two-thirds of the gain. If you've got a $100,000 net gain, you'll pay tax on $66,666 and exclude $33,334.

There are four relevant strategies to mitigate the damage Congress has done and reduce your tax burden. One is to live in the home for as long as possible. Using the example above, if instead of selling in 2015 you own and live in it until the end of 2024, you'll have lived in it for 12 years and owned it for 16 years; you'll exclude 3/4ths of the gain and pay tax on only 1/4th.

A second strategy takes into account the fact that the law doesn't allow you to pay tax only on the appreciation occurring when it wasn't your home. If you are contemplating a move into a rental property, you might instead consider selling the property if there's little or no gain or, if there's already substantial appreciation, exchange it for other property held for investment and move elsewhere. This is best grasped by example. Let's say the property was purchased in 2010 and you moved in during 2012, which was the market bottom. If you had sold it in 2012, you'd have been able to deduct a loss. Now prices are above what they were in 2010—sell it and you'll pro-rate the exclusion, even though all of the gain occurred while you lived in your home.

Another is to keep excellent records of improvements.*** Such records have often been kept haphazardly; who cares if you've got a $200,000 gain but can't prove $50,000 of the improvements when you've got a full $250,000 exclusion? Now, if the property was used as anything other than your main home at any time post 12/31/08 and you moved in after that period of non-residence use, these costs matter, as they reduce the total gain and, therefore, the includable taxable gain.

Finally, there's the general rule we tell every client who owns highly appreciated rental property: keep it until you die. Because your heirs get a "stepped-up" basis (they are deemed to have paid whatever its value is on the day you kick the bucket****), no tax is ever paid on your share of the gain. If you don't want to keep that particular property, convert it back to a rental, wait a period of time (two years is considered safe) and then exchange it for other property held for investment (land or rental property). And then continue to hold that property until you die, because death is truly the best tax shelter.

* Far more liberal rules apply to military personnel.

** While the sales price minus the costs could have been tax-free, there was (and still is) income in the form of "depreciation recapture," which is depreciation taken during the time it was rented to others, "recaptured" as income in the year sold.

*** As for the question of what counts as an improvement, some might argue that the IRS's rules on repairs vs. capitalization might apply; we would emphatically disagree. Just because you can currently deduct a kitchen remodel on a rental doesn't mean it doesn't count as an improvement on one's home. On the other hand, if the remodel was done during the rental use and deducted, you can't deduct it again (such "double-dipping" is almost never allowed under tax law).

**** If you didn't before, now you know where the term "bucket list" comes from.

King v. Burwell Challenges the Purported "Care" Act and Would Uphold the Rule of Law

"…If you're a state and you don't set up an exchange, that means your citizens don't get their tax credits--but your citizens still pay the taxes that support this bill. So you're essentially saying [to] your citizens you're going to pay all the taxes to help all the other states in the country. I hope that that's a blatant enough political reality that states will get their act together and realize there are billions of dollars at stake here in setting up these exchanges."
— Jonathan Gruber, "health care" act architect, in one of several speeches using essentially similar words during 2012

"When I use a word," Humpty Dumpty said in rather a scornful tone, "it means just what I choose it to mean—neither more nor less."

"The question is," said Alice, "whether you can make words mean so many different things."

"The question is," said Humpty Dumpty, "which is to be master—that's all."
— Lewis Carroll, *Through the Looking Glass*

The United States Supreme Court will hear King v. Burwell in March and render its ruling in June. Its outcome will help determine whether we live in a land of the free under the rule of law or in Alice's Wonderland under the rule of bureaucrats, where a word means only what a bureaucrat wants it to mean.

At issue are four words in the law: subsidies (via tax credits) are available only through an Exchange "*established by the State*." Michael F. Cannon, director of health policy studies at the libertarian Cato Institute, in a blog at Forbes.com, elaborates:

"…It's not just four words that prevent the IRS from implementing certain subsidies and penalties in the 34 states with federal Exchanges. The eligibility rules for those subsidies — technically, 'premium-assistance tax credits' — repeatedly and consistently say that taxpayers may receive them only if they are enrolled in a qualified health plan 'through an Exchange established by the State under section 1311 of the Patient Protection and Affordable Care Act.' The tax-credit eligibility rules repeat that 18-word phrase, explicitly or by reference, a total of nine times."

The nine uses of the phrase never include any mention of section 1321 of the Act, which authorizes a federal Exchange. It's always "through an Exchange established by the State under section 1311 of the Patient Protection and Affordable Care Act." As Cannon puts it, "it's hard to get clearer than that. And if the credits are not authorized, then neither are the disputed penalties." Gruber himself made it clear: by limiting subsidies to state-established exchanges, it was Congress's intent to make it so attractive to set up an exchange that no state could refuse. It's the same sort of monetary coercion Congress has used on many occasions to get the states to conform to its wishes, including giving states federal funds for Medicaid only with strings attached and coercing states to increase the drinking age to 21 by withholding federal highway funds for states that didn't comply. The Big Surprise here was that 34 states refused to set up their own exchanges.

If the Supreme Court rules that subsidies to enrollees in states with federal Exchanges are illegal, premiums won't increase; instead, the IRS will be prevented from shifting the burden of those premiums from enrollees to taxpayers. The Left will emphasize that the end to subsidies to lower-income Americans in states that have not established "state exchanges" will be disastrous; the Right will emphasize that enrollees in those states will face the full cost of their "health care" plans, which will help to set the stage for lowering actual costs of health care (the viability of which I have written about extensively in issues # 20, 33, 41, 52 and 55 of *Wealth Creation Strategies,* at DougThorburn.com).

The plaintiffs, consisting of private individuals and employers as well as dozens of public schools and school districts from several federal-exchange states, argue they are being injured by the IRS's actions (giving subsidies) because these illegal subsidies trigger illegal taxes against them under the Act's employer and individual mandates. The only way to get relief from these taxes (as a bare majority of the Supreme Court, including Chief Justice John Roberts, famously called them) is to stop the illegal subsidies.

If the Supreme Court rules in favor of the plaintiffs, politics will be at its messiest in decades. The best I have read on just how messy is described by Terry Pell at The Center for Individual Rights, who writes:

"If the Supreme Court reverses and holds the law to its plain language, Obamacare could not survive in its present form: without subsidies, many individuals could not afford the insurance and only the sickest would sign up, forcing premiums to increase further, which would only speed the flight of the healthy out of the reach of Obamacare.

"The possibility that the system of incentives and subsidies that was supposed to drive the majority of Americans into federal health insurance could collapse into a death-spiral of ever higher premiums resulting in fewer and fewer enrollees creates a political conundrum for the new Republican Congressional majority. It could decide to let the system collapse completely in the hopes that the blame would fall mainly on the White House. Or it could undertake the arduous task of reconstructing Obamacare with greater deference to individual choice and free-market principles. Or, finally, it could get the federal government out of the business of general health insurance entirely, reserving for the federal government the limited task of providing for the medical needs of the small set of truly uninsurable. [Which, to pay amends for the massive distortions government had already created in the medical insurance marketplace, is what should have been done in the first place.]

"Current politics will not make the task easy. President Obama is likely to insist the new Congress simply change the law to endorse the Administration's view that subsidies should be available for all. If the Republicans resist, the media will focus attention on the individuals who will suddenly lose their subsidies — and their insurance. Republicans will find it just as difficult to please their own constituents, who will insist that anything less than a full-scale repeal of Obamacare amounts to a sell-out. Further complicating matters is that Republican governors will come under [intense pressure] to create state exchanges in the thirty-six states where they don't now exist so that citizens in those states can take advantage of the subsidies provided under the original law.

"In a recent editorial, the *Wall Street Journal* advised Republicans to focus on the fundamental problem with the 'Affordable Care Act,' namely that the insurance it requires people to buy is not really affordable to many. If the federal government stopped insisting on selling 'three-sizes-fits-all' insurance and instead let any insurer sell any configuration of insurance to anyone, anywhere, insurers would have an incentive to sell insurance individuals wanted and could afford, such as stripped-down, catastrophic insurance for younger, healthy individuals."

The Executive Branch has interpreted and changed the law as it sees fit. All "conservative" and libertarian legal scholars and even many "liberal" ones believe that, by dispensing subsidies through federal exchanges, the Executive has authorized the IRS to spend tax dollars without congressional authorization. Either the law says what it means, or means whatever the Executive says it means. Those who wish to reign in government power agree with the former. As George Will put it, if the IRS can dispense subsidies via federal exchanges and collect penalties—oops, taxes—without congressional authorization, Congress would be superfluous and can disband. Perhaps this will prove to be the beginning of the end of the radically increased powers of government, or at least those of the executive branch.

We've barely scratched the legal surface here. Those who wish to understand the topic in greater depth would do well to search online for articles titled, "George F. Will: 'Four Words in the ACA Could Spell its Doom'"; "Halbig v. Burwell; King v. Burwell"; "ObamaCare Through the

Looking Glass," which I found after I'd already settled on using the Humpty Dumpty quote above; "Seven Myths about King v. Burwell," which points out that the case, far from challenging the Act, seeks "to *uphold* the Act by blocking the IRS's unilateral attempt to strike down the Act's clear language." It also describes the history of the implementation of the subsidies, which the IRS initially agreed were to be made available only through "an exchange established by the State," but on which it later reversed course; Treasury and IRS officials later admitted to congressional investigators "they knew the statute did not authorize them to issue tax credits through federal exchanges." The final rule authorizing tax credits for federal Exchange states "cited no statutory authority for the agency's reversal."

I don't see how the Supreme Court can do anything other than rule for the plaintiff's, but what do I know? I'd have never dreamt they could uphold laws that create Soviet-style central planning and treat adults like children by coercing the purchase of a product with extremely limited choice by penalizing—oops, taxing—us if we don't comply. The arrogance of those who think we are too stupid or uneducated to know what's best for ourselves, who want to "help" us by telling us how to live our lives and spend our money, is breathtaking.

Passing Laws Using the "Stupidity of the American Voter"

RomneyCare and ObamaCare architect Jonathan Gruber, in two-year-old videos (a wonderful compilation of which is at http://dailysignal.com/2014/11/18/jonathan-grubers-controversial-comments-single-two-minute-video/) dug up by a determined citizen who was upset over losing his plan and being subjected to a doubling of his health care premiums,* admitted that the purported health care act was "written in a tortured way" to deceive voters about the taxes it imposes, and that it amounted to "a very clever, you know, basic exploitation of the lack of economic understanding of the American voter." Gruber also said Obamacare passed in part because "the American people are too stupid to understand" that taxing insurance companies rather than individuals for so-called "Cadillac plans" amounts to the same thing. Many in power think they know how to better manage your affairs and spend your money than you. In what other areas of the economy might such power-seeking individuals try to use such "tortured" language and "very clever exploitation of the lack of economic understanding" of voters?

It would take too many pages to undo much of the misinformation that has helped to create many of the myths of economics to be appropriate for this newsletter. However, I'll recap a few tax-related and non-tax related myths here to gauge your interest, to see if you'd like me to write about them at some point in the future. First, "high taxes are good for the economy;" while they may be good for the economy of those at the receiving end of tax dollars spent, they otherwise serve to decrease overall societal wealth by disincentivizing top producers. Second, "corporations pay taxes;" no they don't; they are passed on to consumers in the form of higher prices for everything. Third, "employers pay payroll taxes;" employees' wages are lower than they otherwise would be—therefore, employees are actually paying those taxes. Fourth, "minimum wage laws help the poor;" they prevent the poor and unskilled from ever getting a job in the first place—especially teenagers and paroled felons. Fifth, "unions serve to increase wages;" yes, of those in unions—at the price of frequently enabling the worst workers, keeping many good workers from growing out of their jobs and lowering wages and, therefore, living standards for everyone not in a union. We'll see whether I've piqued enough curiosity (and not too much anger) to get a few e-mails imploring me to explain one or two of these, or any other economic subject—after all, I minored in economics in college and have studied it ever since—albeit, in much greater depth.

* Rich Weinstein, the self-described "nobody" financial adviser who discovered the videos, explains: "When Obama said 'If you like your plan, you can keep your plan, period'—frankly, I believed him. He very often speaks with qualifiers. When he said 'period,' there were no qualifiers. You can understand that when I lost my own plan, and the replacement cost twice as much, I wasn't happy. So I'm watching the news, and at that time I was thinking: Hey, the administration was not telling people the truth, and the media was doing nothing!" He is especially disturbed the press "didn't glom onto this stuff first."

A Reasonable Compromise to Replace Top-Down Bureaucracy with Bottom-Up Consumer-Based Medical Care

"When a person is born, give him a birth certificate, an electronic medical record, and a health savings account [HSA], to which money can be contributed, pretax from the time you are born, to the time you die. When you die, you can pass it on to your family members so that when you're 85 years old and you've got 6 diseases, you're not trying to spend up everything. You're happy to pass it on and there's nobody talking about death panels. That's number one.

"Also, for the people who are indigent, who don't have any money, we can make contributions to their HSA each month because we already have this huge pot of money [money spent on health care via taxes]. Instead of sending it to some bureaucracy, let's put it into HSAs. Now they have some

control over their own health care and what do you think they're going to do? They're going to learn very quickly how to be responsible. When Mr. Jones gets that diabetic foot ulcer, he's not going to the emergency room and blowing (sic) a big chunk of it. He's going to go to the clinic. He learns that very quickly….

"It is always interesting to watch the 'experts' expound on various topics from the economy to national defense to social issues, and so on, sometimes presenting a host of statistics and little-known studies as proof of their expertise. They claim that their knowledge and all those letters behind their name give them unquestionable authority to declare truth. Some of these experts continue to claim that our economy remains sluggish because we are not borrowing and spending at a greater rate. They want another stimulus package and if that doesn't work, I can guarantee you they will want yet another. I will admit that these people are very knowledgeable, but I severely doubt that they possess wisdom. I believe my mother with her third-grade education could come up with a better plan than theirs. When someone does challenge them, they love to say, 'That person is not an expert and can't possibly know what she's talking about.'

"I have to chuckle when some of them say that 'Ben Carson is a neurosurgeon and can't possibly know anything about economics.' Many of these same people were involved in creating the Affordable Care Act (sic) even though their training is not in health care. They say that economic principles have broad application and therefore their recommendations are legitimate. I say that common sense has broad application and can be used in all areas. In fact, I would choose common sense over knowledge in almost every circumstance. I also like to point out that five physicians signed the Declaration of Independence, our founding document, and they certainly were not shy about expressing their views regarding the principles that should govern our nation."

— Ben Carson, M.D., *One Nation*, pages xxii and 141-142

His book, *One Nation*, includes fabulous essays on self-responsibility, political correctness, compassion, minimum wage laws and some great personal stories. I'd vote for Ben Carson in a heartbeat.

Thoughts on Government Action

"Peak-oil naysayers don't think we should wholly embrace oil for all time, just that we shouldn't speed up any transition to alternatives in anticipation of short supplies. After all, misguided energy policy can have very bad outcomes. For instance, in the 1970s, the U.S. thought it was running out of natural gas, and Congress prohibited building any new power plants that used it. Instead, we built lots of coal plants—about half of the modern coal fleet—that burdened us with a legacy of dirty air in some cities. [In the meantime], we have tapped an abundance of natural-gas supplies."

— Russell Gold, "Why Peak-Oil Predictions Haven't Come True—and Probably Won't," *The Wall Street Journal*, September 29, 2014

Today, natural gas provides the same amount of energy as two to twenty times the energy a comparable amount of oil and alternative sources of energy provide at the same price. Those at the pinnacles of power in government often display arrogance: here, they thought they knew that we'd run out of natural gas; in fact, they have no idea what the entrepreneurial genius of productive, profit-motivated individuals will discover, create and produce. In other words, they think they know what they cannot know and have the temerity to make laws based on things they cannot know, which instead serve as distractions from the one thing they are supposed to do: protect us from thugs, foreign and domestic.

"Imagine for a moment that you own and operate a restaurant knowing that if you provide spoiled food and rotten service, you will subsequently make more money. You openly employ strong-arm and intimidation tactics to keep any conscientious employees from revealing what is really going on in the kitchen….

"This is the VA hospital system. High mortality rates, patient neglect, extreme waiting lines, intimidation of wannabe whistleblowers….[Sen. Tom Coburn, M.D., R-OK was] one of the three senators to vote against rewarding this incompetence….

"…Coburn cited a 60% budget increase in the last few years to argue against the idea that a lack of loot was the trouble. He basically said the congress was about to give the alcoholic VA another drink….

"The free market destroys businesses and institutions providing the type of 'care' rendered at the VA, a concept the Austrian economists refer to as 'creative destruction.' This powerful cleansing mechanism of the market allows for better allocation of resources to those businesses or institutions that provide the products and services that people actually want. No such mechanism exists in governmental programs. The opposite incentive exists, rather, to generate sufficient complaints and misery, a strategy which guarantees even more taxpayer money."

— G. Keith Smith, M.D., Surgery Center of Oklahoma http://surgerycenterofoklahoma.tumblr.com/post/94001599222/poisonous-restaurants-and-the-va-hospitals

If we expect medical care to be less costly and more efficient, the power to regulate it needs to be taken out of the hands of government and the taxing authorities and put into the hands of consumers. This works for computers and even in those medical fields where market forces are allowed to work, such as Lasik, dentistry and plastic surgery. This will work in the rest of the health care industry as well, if we only let it.

The Lies That Got Us Here

"How fortunate for governments that the people they [control] don't think….All propaganda has to be popular and has to accommodate itself to the comprehension of the least intelligent of those whom it seeks to reach….Make the lie big, make it simple, keep saying it, and eventually they will believe it."
— Adolf Hitler

"This bill was written in a tortured way to make sure (the Congressional Budget Office) did not score the mandate as taxes. If CBO scored the mandate as taxes, the bill dies. OK? So it's written to do that. In terms of risk-rated subsidies, if you had a law which said healthy people are going to pay in — you made explicit that healthy people pay in and sick people get money — it would not have passed. OK? Lack of transparency is a huge political advantage. And basically, call it the stupidity of the American voter or whatever, but basically that was really, really critical to get the thing to pass. Look, I wish … we could make it all transparent, but I'd rather have this law than not."

"The only way we could take it on was first by mislabeling it, calling it a tax on insurance plans rather than a tax on people and we all know it's really a tax on people who hold those insurance plans."
— Jonathan Gruber, architect of Soviet-style centrally planned "health care" schemes popularly called "RomneyCare" and "ObamaCare", caught in videos telling the truth to his friends. In the 2nd quote, he was commenting on the 40% tax on "Cadillac" insurance plans beginning in 2018.

"For my mother to die of cancer at the age of fifty-three and have to spend the last months of her life in the hospital room arguing with insurance companies because they're saying that this may be a pre-existing condition and they don't have to pay her treatment, there's something fundamentally wrong about that."
— Barack Obama, responding to a question by Tom Brokaw in his second debate with Senator John McCain in 2008, following up with, "If you've got a health care plan that you like, you can keep it. All I'm going to do is help you to lower the premiums on it. You'll still have a choice of doctor. There's no mandate involved."

My individual plan was grandfathered, only because there have been no changes to it since mid-2010—except for the premiums. They have tripled. So much for the promise of a $2,500 reduction in premiums—which, of course, I knew then was impossible with top-down government mandates as opposed to free market, consumer-based medicine. Kristin's individual Anthem plan was cancelled with the inception of the "affordable care" act. Her "comparable" replacement plan decreased benefits, increased in price and increased the deductible. And most of her old doctors won't take the new plan.

"Obama got to reprise his mother's swan song for years. It was not until July 2011, and then not until page A16, that the New York *Times* revealed his mendacity. According to a biographer of Obama's mother [Ann Dunham] written by the *Times'* own Janny Scott, Obama had 'mischaracterized a central anecdote about his mother's deathbed dispute with her insurance company.'

"…Scott's bio revealed that Ann Dunham's employer-provided Cigna health policy offered full coverage and paid her hospital bills directly. Dunham had 'to pay only the deductible and any uncovered expenses, which, she said, came to several hundred dollars a month.'

"Also left unsaid by Obama was that his mother was working in Indonesia for the Ford Foundation when she first took ill. The local physicians, working in that nation's socialized health care industry, diagnosed her problem as indigestion….Dunham flew to New York to get diagnosed and treated on Cigna's dime at the famed Memorial Sloan-Kettering Institute."
— Jack Cashill, "Obama Channels Nixon in Denial Down Under," www.AmericanThinker.com

"Because of this law, no American can ever again be dropped or denied coverage for a preexisting condition like asthma, back pain, or cancer."
— Pres. Barack Obama, 2014 State of the Union address, regarding the "Affordable Care Act" (ACA)

"Before 1996, if you purchased individual health insurance through a broker, you would have been offered a 'guaranteed renewability' option. This would guarantee that your policy could not be canceled if you developed an expensive and chronic condition…..This option was so popular that, by 1996, 75 percent of people buying individual health insurance also bought the guaranteed-renewability option.

"Then, in 1996, Congress passed the Health Insurance Portability and Accountability Act (HIPAA). Among HIPAA's many mandates was the requirement that all individual insurance plans have guaranteed renewability. It also prohibited all group health-insurance plans sold to businesses from denying coverage to individuals because of pre-existing conditions. [Many states required guaranteed renewability long before this.]

"And so, for the past 18 years, all insurance companies have been legally forbidden from dropping an individual policyholder who developed a chronic illness and have not been able to raise anyone's rate because of it."
— Jeffrey A. Singer, M.D., adjunct scholar, Cato Institute

"Barack Obama is really the president Richard Nixon always wanted to be."
— Jonathan Turley, well-known "liberal" constitutional scholar at George Washington University