The Laffer Center at the 1065 Institute is a federally approved tax-exempt entity (Section 501(c)(3)) whose mission is to provide to the general public educational information and analysis that promotes ideas and action which further economic progress and opportunity for all. The Laffer Center is named after Arthur B. Laffer, one of the nation's leading economic minds and considered by many, along with his mentor the Nobel laureate economist Robert A. Mundell, to be the "Father of Supply-Side Economics." The Laffer Center houses Dr. Laffer's life's work and seeks to be the leading source for economic research, thought, and education, including the research and published works of other economists and thought leaders whose ideas have played an instrumental role in the supply-side movement in the United States and abroad.

Most important, the Laffer Center is focused on educating people on free-market ideas and ensuring that the lessons of free-market economics are as relevant and applicable today resulting in a significant public good and purpose.

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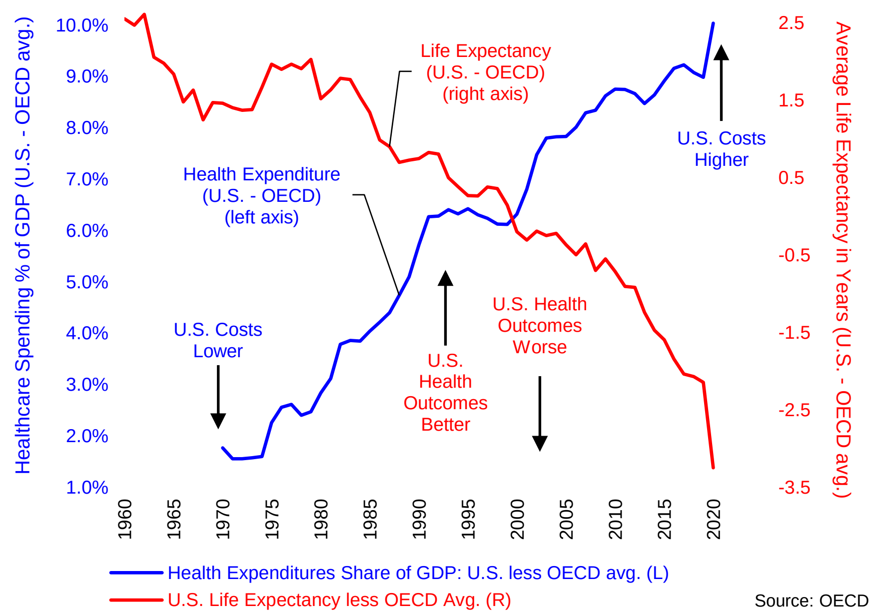
A. Medical Transparency

Key to the future of American prosperity is full and total price and quality transparency in healthcare to the public. The competitive surge in the cost of healthcare in the U.S. and the underperformance of U.S. life expectancy is directly attributable to the fact that consumers of healthcare services—doctors and patients—have no idea what the prices for consumable units are or have been.[1] Markets require knowledge of both to work effectively. The ever-increasing absence of price transparency in the U.S. is clearly shown in the chart below.

Average Life Expectancy U.S. less OECD vs.
Health Expenditures as a Share of GDP, U.S. less OECD
(annual, Life Expectancy:1960 through 2020, Health Expenditures: 1970 through 2020)



Source: OECD

The above chart shows the 50-year paths of life expectancy (in years) and health expenditures (as a share of GDP) in the U.S. versus the rest of the developed world, which we have defined as members of the OECD.

- U.S. life expectancy, the red line on the above chart corresponding to the right-hand axis, has fallen from 2.5 years above the OECD average in 1960, to 3.5 years below the OECD average in 2020.

- U.S. health expenditure as a share of GDP, depicted above as the blue line corresponding to the left-hand axis, has risen from 1.8 percentage points of GDP above the OECD average in 1970 to 10.0 percentage points above the OECD average in 2020.

The Laffer Center is the foremost research entity on both the extent of the problem and the path to a solution. President Trump's executive order mandating medical transparency is based heavily on our research. Likewise, President Biden's extension of Trump's executive order is also based heavily on our research.

We are currently in the middle of the most comprehensive study on medical transparency ever undertaken. We estimate this project alone will require several million dollars over the coming two or three years. It's a small price for an enormous payoff. The key therefore is education—educate the consumer, educate the providers, educate the public at large—all for the common good.

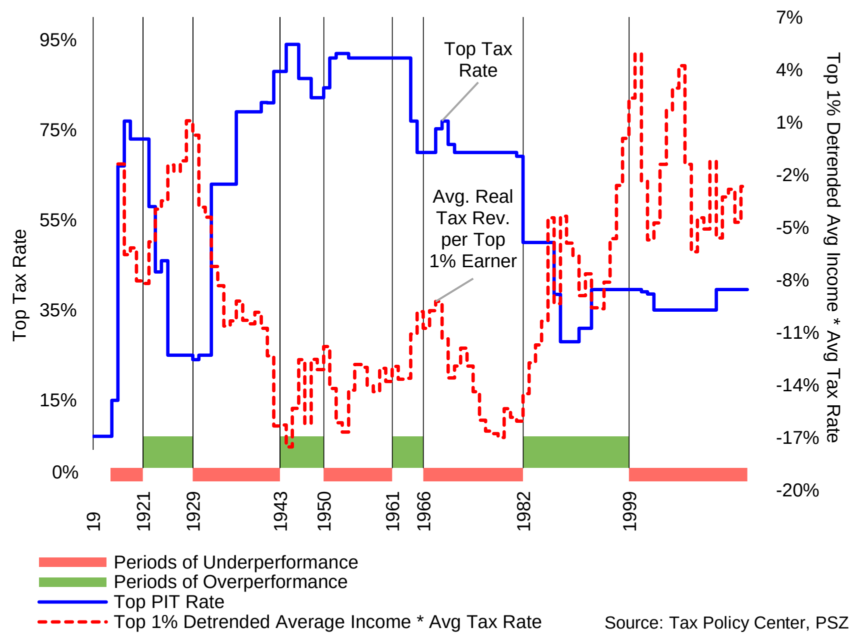
[1] Cynthia A. Fisher and Arthur B. Laffer, Ph.D., "What Would the United States Look Like with Full Healthcare Transparency Relative to Now?" (Laffer Center, 2019)

B. Top Income Tax Rates, the U.S. Economy, Income Inequality, and Tax Revenues from the Rich

The Laffer Center is at the forefront of practical and scholarly research on the effects of excessively high top rates of taxation on the top one percent of income earners. Our recent book, "Taxes Have Consequences," by Center scholars Arthur Laffer, Brian Domitrovic, and Jeanne Sinquefield has made a huge impact on the field of income inequality (number one best seller) since its' release on September 27, 2022. Recently, we have done upwards of 100 lectures and debates on these topics. The results from this research alone show that raising the highest tax rate i.) lowers tax revenues from the top 1 percent, ii.) leads to underperformance of the economy, iii.) damages the lowest income cohorts the most and iv.) leads to much greater taxation of the bottom 95 percent of income earners.

The following table and chart illustrate just how much damage can be caused by raising the top tax rates above certain levels. Excessively high top tax rates hurt the poor and the rich, cause economic underperformance, and tax revenue shortfalls.

Average Real Tax Revenues per Top 1 Percent Earner Detrended vs. Top Tax Rate
(annual, 1913-2017, detrended using an annual 1.5 percent trend)



*Smoot-Hawley Tariff Act passed in House and Senate and was signed into law in June 1930

Under the auspices of the Center, Dr. Laffer has had debates on income inequality recently at the University of Oxford (with Mehdi Hasan), Middle Tennessee State University (with Leslie Marshall), and the University of Texas (with Jamie Galbraith). These lectures are free to the public and can be viewed on the Center's website at no charge. This is a great benefit to the educators struggling in today's world to encourage free expression of ideas, not limit them.

This issue of taxing "the rich" portends to be key to the public debate for at least the next four years, if not much longer. The Center is the bulwark holding off sloppy research elsewhere and the quasi-educational movement to "Tax the Rich." To continue our efforts, the Center needs substantial resources to fund researchers and outreach programs in its quest for a truly high level of educational review.

C. Supply Side Economics Outside the U.S.

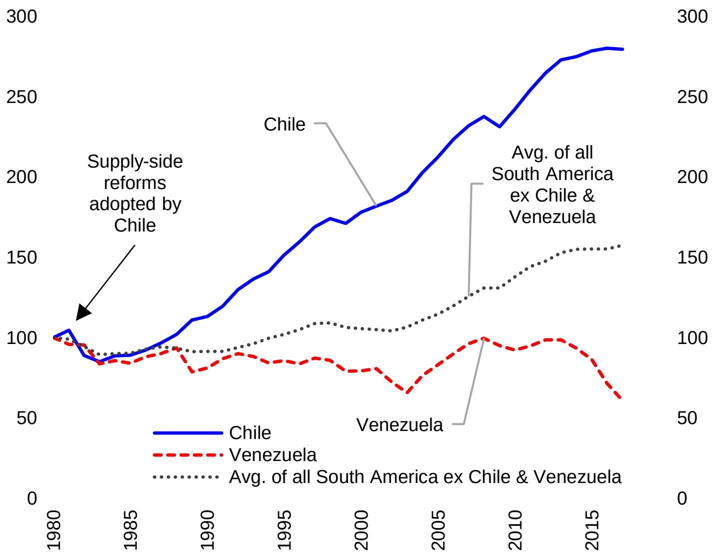
Over the past few decades or so, the Laffer Center has been involved in (including trips to, and papers on) the economies of numerous foreign countries including Ukraine, Kazakhstan, Uzbekistan, Japan, Slovakia, The Congo, Poland, Ireland, Indonesia, Bosnia and Herzegovina, Turkey, Sub-Saharan Tax Authorities in Casablanca Conference, the U.K., France, Nigeria, Spain, Italy, and Hong Kong as well as our most recent venture in Pakistan. These countries desperately need help and we've been there for them providing, as best we can, good sound advice. Many of these involvements are ongoing, much like our historical endeavors in Chile, Argentina, the U.K., Germany and perhaps soon in Canada. It is critical to the American public that the free expression of ideas not be limited either at home or abroad.

Our involvement in Chile back in the 1970s was a nice success, as we hope our more recent ventures in Pakistan will be as well (see Chile chart and Pakistan chart).

Our efforts at the Laffer Center have resulted in a number of publications, the most popular of which is our book "Handbook of Tobacco Taxation", which has been published in seven languages and soon to be in Turkish. Our two recent books so far in Japan have been quite successful as well. A number of our other titles have also been published in foreign languages.

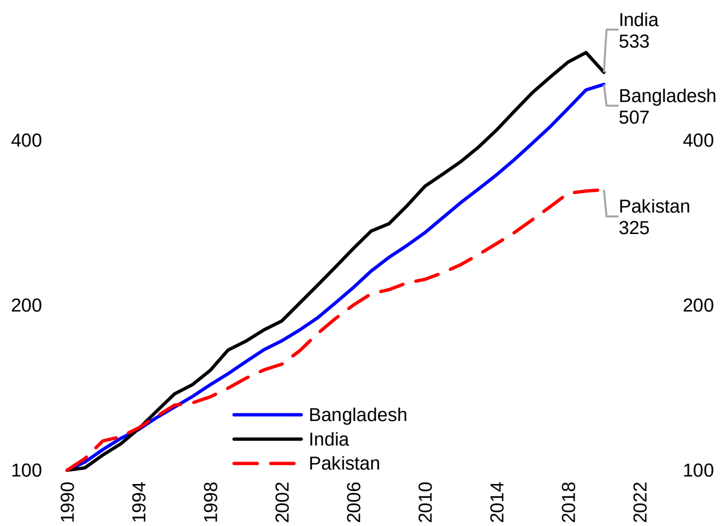
Again, these projects require enormous focus, effort, and sufficient resources to get the job done cost effectively,and to keep the research above reproach.

Chile, Venezuela & South American Average: Real GDP per Capita
(annual, 1980-2020, semi-log scale, indexed to 100 in 1980)



Source: Laffer Associates, IMF World Economic Outlook

Pakistan, India, & Bangladesh: Real GDP
(annual, 1990-2020, semi-log scale, indexed to 100 in 1990)



Source: World Bank

Published in "A Program for Economic Prosperity in Pakistan," Laffer Associates, 4/18/2022

D. State and Local Publications

The Laffer Center oversees and provides the background research for the annual ALEC publications of Rich States Poor States and the Laffer-ALEC rankings of all 50 states, now in its 16th year. This publication is widely disseminated among educators and state officials involved in the public good. The Laffer Center also authored the 2014 New York Times bestseller publication of "An Inquiry into the Nature and Causes of the Wealth of States." Two of the authors, Arthur Laffer and Rex Sinquefield, being part of the Center. The Center also oversees the publication of the Governors' rankings, now in its' third year.

This issue is non-political and bipartisan in its approach. The Center's mission is focused on education and researching facts and results, not political dogma.

Here's a clear example of the persuasive use of our analysis. This is the story of what happened to the 11 states that introduced an income tax after 1960.

				Share of Remaining 39 States								
		Maximum Tax Rate		Population			GSP			Total State and Local Tax Revenue		
States	1st Year of Tax	Initial	Current	5 Years Before	2021	% Change	5 Years Before	2021	% Change	5 Years Before	2020	% Change
Connecticut	1991	1.50%	6.99%	1.8%	1.4%	-22.7%	2.4%	1.7%	-30.5%	2.4%	2.1%	-9.7%
New Jersey	1976	2.50%	11.75%	4.9%	3.6%	-27.3%	5.4%	3.8%	-30.0%	5.4%	4.9%	-9.1%
Ohio	1972	3.50%	6.49%	7.6%	4.6%	-39.8%	8.0%	4.1%	-48.6%	6.1%	4.0%	-34.2%
Rhode Island	1971	5.25%	5.99%	0.7%	0.4%	-37.5%	0.6%	0.4%	-42.3%	0.7%	0.4%	-32.5%
Pennsylvania	1971	2.30%	6.91%	8.5%	5.0%	-40.9%	8.5%	4.7%	-44.6%	7.7%	5.0%	-34.3%
Maine	1969	6.00%	7.15%	0.7%	0.5%	-28.1%	0.6%	0.4%	-26.5%	0.6%	0.6%	1.7%
Illinois	1969	2.50%	4.95%	8.1%	4.9%	-39.2%	9.8%	5.3%	-46.5%	7.8%	5.7%	-26.5%
Nebraska	1968	2.60%	6.84%	1.1%	0.8%	-30.8%	1.0%	0.8%	-18.2%	0.9%	0.8%	-16.8%
Michigan	1967	2.00%	6.65%	6.3%	3.9%	-38.4%	7.9%	3.2%	-59.5%	6.6%	3.0%	-54.8%
Indiana	1963	2.00%	5.25%	3.8%	2.6%	-30.5%	3.8%	2.4%	-38.2%	3.4%	2.2%	-33.8%
West Virginia	1961	5.40%	6.50%	1.5%	0.7%	-55.1%	1.2%	0.5%	-58.9%	1.1%	0.5%	-51.0%

*Maximum tax rate is top combined state and local tax rate in each state
†Due to data limitations, shares of personal income have been substituted for Indiana and West Virginia's shares of GDP
Source: U.S. Census Bureau, Bureau of Economic Analysis, Laffer Associates

The research, the time commitment, and the resource use required for these efforts is quite substantial. These projects and the association with ALEC have had an enormous impact on better economic policy for all. Further involvement with ALEC could yield high returns.

Individual State and Local Studies

Over the past 10 plus years, the Laffer Center has provided extensive research on Tennessee, Illinois, Kentucky, Missouri, Oklahoma, Connecticut, Kansas, New Jersey, California, Washington state, Arizona, West Virginia, and Texas plus lesser reports on other states.

The Center has also sponsored visits by Dr. Laffer to any number of states ranging from Colorado (at the request of Democratic Governor Polis) to Wyoming, Wisconsin, Florida, Texas etc. etc. These programs incur expenses borne by the Laffer Center.

E. Educational Seminars and Course Curricula

Over the past several years, we have joined with Hillsdale College and the Young America's Foundation in providing 2 ½ day economic seminars for i.) economics professors, ii.) journalists, and iii.) state officials. These programs have been highly successful and have been instructive for us as well. The primary lecturers are Dr. Laffer and Dr. Domitrovic, both members of the Laffer Center. These seminars are available free of charge to participants, and we can't think of any activity more deserving. The Laffer Center could, and should, put on some 25 of these sessions in a year.

Economic Leadership Seminar, August 2022

F. Acquisition and Archiving of Records and Historiography of Supply-Side Economics

The Laffer Center tries its best to compile, collect, and store significant records on the origins and development of free-market economics and its founders, as well as to produce definitive historiography of this movement. In such activities, the Center takes inspiration from the classic threefold mission of the research university: to acquire, produce, and disseminate knowledge. To this end Dr. Domitrovic has written or edited six books in this series: *Econoclasts* (2009), the standard history of supply-side economics; *The Pillars of Reaganomics* (2014) and *Oil and Energy* (2018), collections of papers from Laffer Associates from over four decades; *JFK and the Reagan Revolution* (2016), a history of the 1964 tax cut co-authored with Larry Kudlow; *The Emergence of Arthur Laffer: The Foundations of Supply-Side Economics in Chicago and Washington*: *1966-1976* (2021), an intellectual history of the origins of supply-side economics in scholarship; and *Taxes Have Consequences: An Income Tax History of the United States* (2022), co-authored with fellow Center members Dr. Arthur Laffer and Dr. Jeanne Sinquefield.

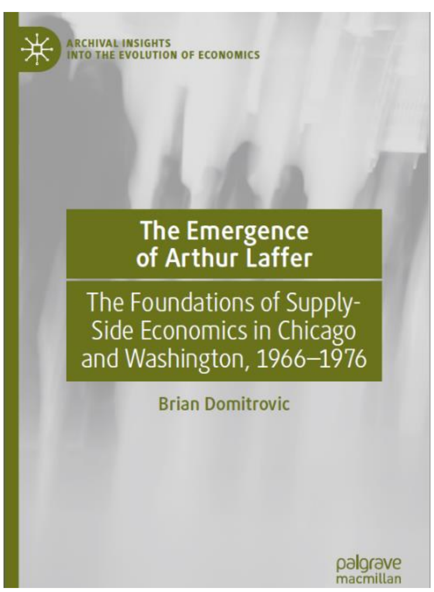
Some of the official records include books, articles, television appearances, web casts, etc. Including:

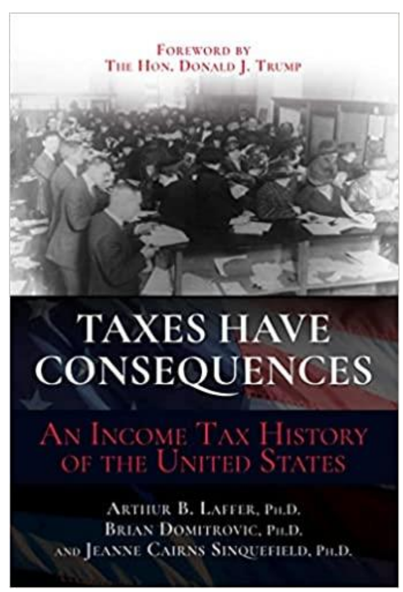
- Thousands of appearances on Fox News, Fox Business, CNN, NBC, MSNBC, Newsmax, BBC, Al Jazeera, ABC, CBS, and more.
- Dozens of opinion editorials published in The Wall Street Journal, The Washington Post, The Daily Mail, and countless local print media outlets.
- Hundreds of guest appearances on podcasts and radio shows including *The Rush Limbaugh Show, The Glenn Beck Program, The Ben Shapiro Show*, *Louder with Crowder*, *The Clay Travis & Buck Sexton Show*, Kitco with Michelle Makori, Wolfpack Research, and Brian Buffini.

This area of endeavor is ongoing and absorbs a significant amount of resources from the Laffer Center. In this spirit, Dr. Domitrovic is working on his second historical volume illuminating Dr. Laffer's involvement in economic reform and the public arena since 1976. This book will be the definitive economic history of the 1980s and a comprehensive assessment of Reagan's impact on and legacy in the global economy. Dr. Domitrovic's research will require travel to the Thatcher archives in London and the Reagan Library and the Hoover Institution archives in California, among other collections.

We are also working on completing a comprehensive collection of short essays on supply-side economics in practice from states to countries, from taxes and trade to regulations and monetary policy. *A Template for Understanding the Economy*; including an updated edition of An Inquiry into the Nature and Causes of the Wealth of States; and for the current national conditions of the 2020s, *A Comprehensive Reform Plan for the U.S. Economy*.

Other books completed include works by Dr. Laffer, with Stephen Moore as a co-author, et al. including *The End of Prosperity, The Return to Prosperity, Trumponomics*, and the extensive *Rich States, Poor States* series (now in its 16th edition).



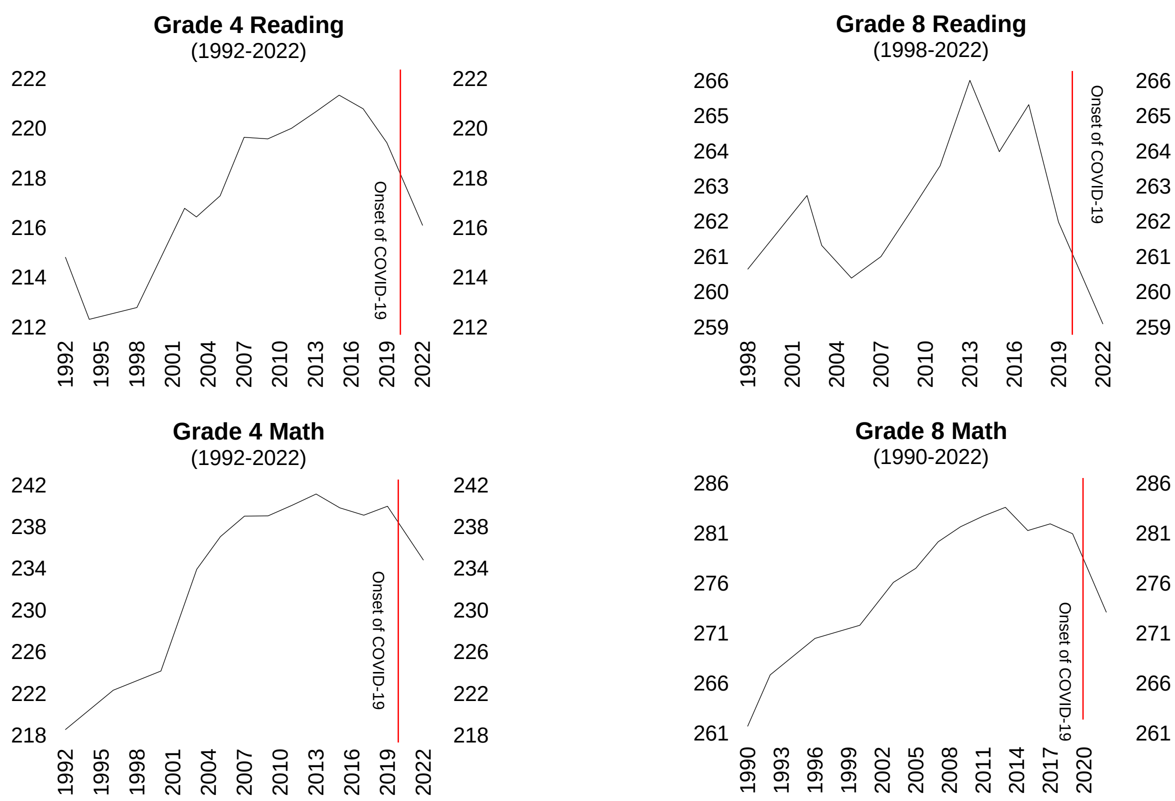


G. High Tax Area Schools

Low-income school districts often have exorbitantly high real property tax rates or their equivalents in fees, fines, and assessments. These schools tend to be among the worst performers in the nation. Wilkinsburg, Pennsylvania, for example, effectively has real property tax rates in excess of 6 percent, and it has closed its anemically performing junior and senior high schools in order to pay tuition for its children in neighboring Pittsburgh schools (which themselves are poorly performing). An effective 6 percent wealth tax on depressed property, in an area with non-functional schools, is a condition that invites reform. Do remember that a given property tax is the equivalent of a multiple factor higher income tax. Net income generated by property is generally a small fraction of that property's value. There is almost nothing to lose from reducing property tax rates and introducing more cost-effective educational alternatives.

The Center is developing a statewide municipal reform program to enhance incentives for economic growth in such areas while improving educational outcomes. What could be more depressing than California's high tax rates, political domination by the unions, low teacher-student ratios and student performance consistently in the bottom five of all states nationally? In partnership with an educational provider such as Hillsdale College's charter school initiative, the Center's program would deliver two results. First, distinctly improved educational outcomes at a fraction of current outlays, and second, greatly foster economic growth. The effects would include property-value appreciation, the ending of urban blight, the introduction of well-performing school systems, and municipal competition in favor of low tax rates and real educational outcomes. This focus on poorly performing schools is at the core of the Center's mission.

NAEP Subject and Grade-Level Scores: Public School National Average



Source: Department of Education- National Assessment of Educational Progress (NAEP)

H. Online Educational Projects

In the summer of 2022, Hillsdale College launched its online course, American Prosperity with Arthur Laffer. It is an eight-part history and economics course along the lines of the book Taxes Have Consequences. Its website has had hundreds of thousands of visitors. The Center wishes to expand its online educational offerings in supply-side economics and history. The current course is at a college-introductory level. In the future, the Center would like to produce in addition to college materials, a range of educational products online for grades 7-12.

Along the lines of Khan Academy and Prager U, we wish to develop curricula for junior high and high school homeschooling and supplementary schooling audiences on economics in the supply-side and free-market tradition. Our offerings will include packages of 10-minute videos on central doctrines and illustrations, readings, projects, and tests.

We are also interested in the local tax implications given our educational initiatives. Since 2020, more elementary, high school, and college students have eschewed established publicly funded schools for various alternatives. These include homeschools, neighborhood cooperative schools, online academies, and self-directed teaching.

HILLSDALE COLLEGE

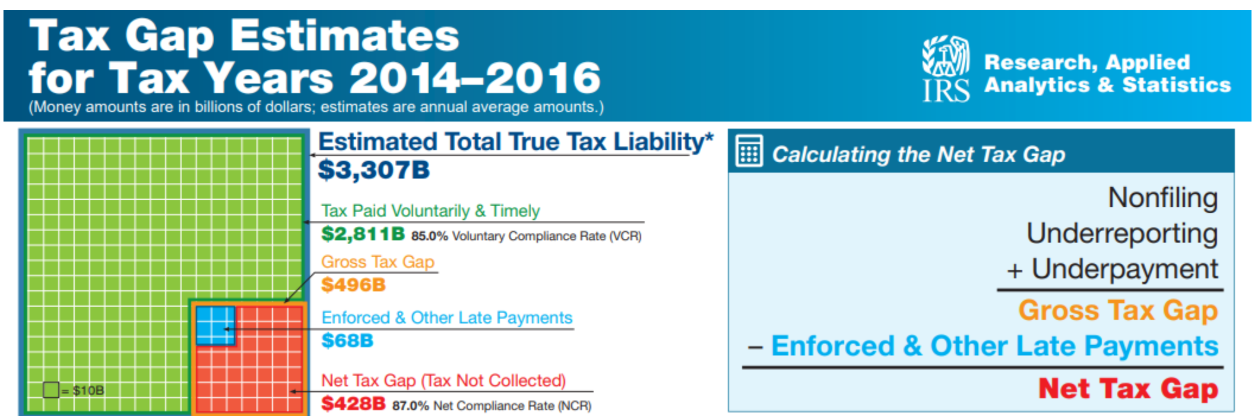
I. Tax Amnesty

Included in the Inflation Reduction Act of the summer of 2022 was a program to hire an additional 87,000 IRS agents to pursue uncollected taxes. The IRS regularly reports the “tax gap”—the amount of taxes owed versus taxes paid—to be some 15 percent (or over $600 billion) per year. Currently we have relatively high tax rates and significant problems with voluntary tax compliance. If tax rates were lowered, the tax gap would shrink.

The Laffer Center’s plans for tax reduction and tax simplification contain an element pertinent to the tax gap. This is a program of tax amnesty undertaken in the context of a proper tax reform. When tax rates are lowered and the base broadened, an associated tax amnesty can invite, explicitly, those with unpaid tax liabilities to come forward and pay their evaded taxes in exchange for a complete discharge of the tax debt and immunity from any prosecution for that debt. In a study of ours from 2015, we found that an amnesty program would bring in $250-$500 billion in one-time revenue, plus $50 billion per year ongoing. Today, these figures would be larger.

Many states have had tax amnesty programs over the last several decades. Generally, these programs have met with distinct success, accruing on average about 1 percent of a year’s tax base in tax-amnesty revenues. Moreover, once a taxpayer gets clear of a tax liability via a tax amnesty program, that taxpayer is both more likely to be tax compliant in the future and devote a greater proportion of resources to real affairs as opposed to tax evasion. Tax amnesty not only raises revenue, it leads to economic efficiency and growth and respect for political and social norms.

The 2017 Tax Cuts and Jobs Act (TCJA) offered a glimpse of the effect that tax amnesty can have. The TCJA lowered the top corporate income tax rate by 40 percent, from 35 to 21 percent. In addition, it permitted corporations who had been keeping foreign-earned profits offshore to repatriate those earnings at special, one-time lower rates (ranging from 8 to 15 percent). The revenue cascade from this program was considerable (some $250 billion), and because of the lower rate corporations were now more interested in repatriating their earnings in the normal course of business.
Tax amnesty, in concert with tax reform bringing lower rates and a broader tax base, is a potent means for getting an economy stuck with slow economic growth, thickening bureaucracies, and disrespect for the letter of the law—such as ours today—back onto the course of vigorous, private-sector-led expansion.[2]



IRS estimates of the tax gap have risen since 2014-16

[2] The Center has produced major work on tax amnesty over the years, including Martin G. Laffer and Arthur B. Laffer, “Tax Amnesty: The Missing Link,” July 29, 1988; Arthur B. Laffer and Jeffrey Thomson, “Tax Amnesty: A Win/Win for All,” May 12, 2003; and Arthur B. Laffer, “15 Ideas for Growth and Revenue,” Dec. 10, 2015.

J. Enterprise Zones and Economic Inequality

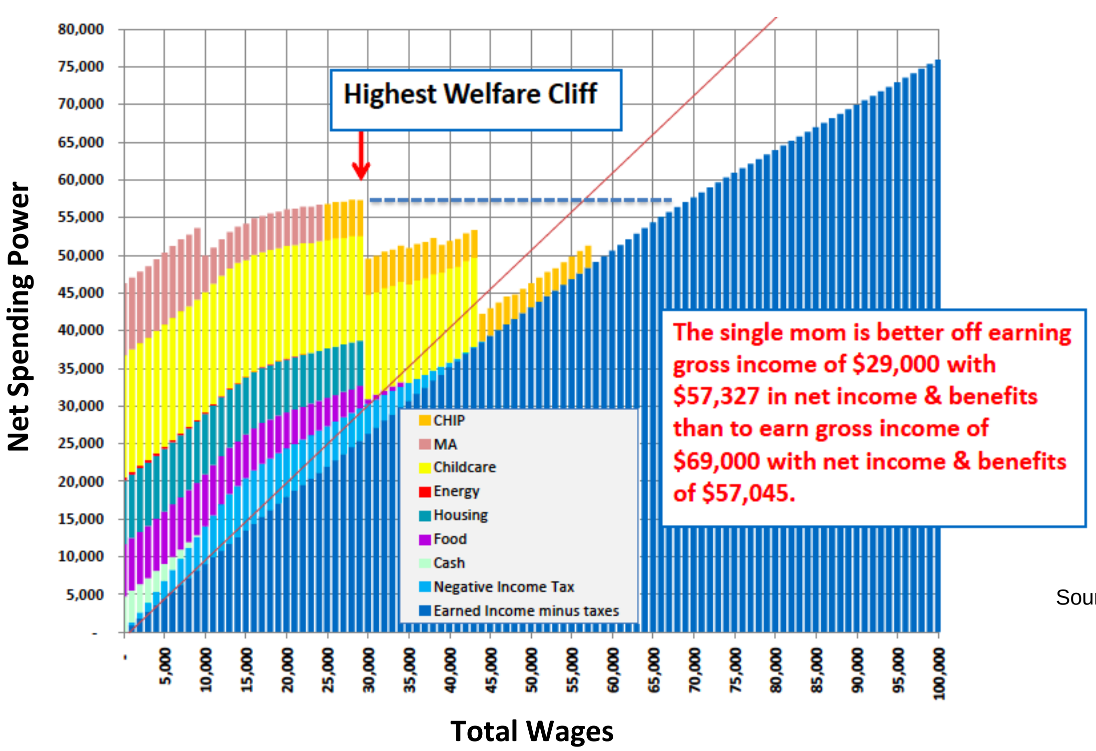
The truth be known, in times of crisis free markets are most needed. Our inner cities are in crisis and desperately cry out for supply-side reforms. Since the 1970s, the Center has pioneered the concept of "enterprise zones" where welfare is replaced with supply-side economics.

Under means-tested benefits, the poor and disadvantaged suffer effective rates of taxation that are among the highest in the code. Quite simply when welfare recipients earn income, they not only pay taxes, but they also lose welfare benefits. In the 1970s, Dr. Laffer calculated that a poor family of four in Los Angeles faced an effective 86 percent marginal tax rate when the family moved from welfare to work. The situation is scarcely different today, as the chart below demonstrates by means of an example from Pennsylvania.

When a poor person gets a job, employee and employer must pay social security taxes beginning with the first dollar of income. Earned income affects eligibility for a host of government benefits ranging from subsidized housing to healthcare. In most cases, a person who goes from minimal income, by virtue of getting a job, loses most if not all the new income to taxation and loss of eligibility for benefits. As the chart below indicates, earners often have to go from zero all the way to nearly median income to come out ahead against taxes and the loss of benefits.

The Center's proposals for enterprise zones emphasize the reduction of any number of bewildering barriers to entering the labor force such as taxation, minimum wage laws for teenagers, means-testing for welfare, and licensing and code requirements.

In 1978, Dr. Laffer observed: "Over the past decade, a tragedy of immense proportions has been unfolding in America. Non-whites are falling further behind their white counterparts in the economic areas of jobs and earnings. This…has occurred in spite of poor performance by whites." This observation applies to our own day, in which whites lead the way in dropouts from the labor force while minority economic improvement has been absent. As he also wrote that year, "no society can remain moral if it destroys the economic base upon which it rests." The enormous economic resources lying idle in our depressed areas—the potential labor input of the residents—can finally be activated, after the 50-year welfare hiatus, with the enterprise zone reforms of the Center's supply-side economics.



The chart to the left shows total net spending power (the vertical axis) for a single woman in 2012 in Philadelphia with two children versus her total gross wages (the horizontal axis). Total net spending power includes all after-tax wages plus net welfare benefits that this woman would be eligible for given her wages. As is the case with welfare benefits, they are subject to needs and/or income tests. Thus, as the woman's wages rise, the welfare benefits hit cliffs where they are eliminated. The chart shows a number of these cliffs.

Source: American Enterprise Institute

K. Ways to Support The Laffer Center

By check

- Make the check payable to "The 1065 Institute"
- Mail the check to: The 1065 Institute
  Attn: Treasurer
  103 Murphy Court
  Nashville, TN 37203

Please include the following information so we can acknowledge your gift:

- Name of donor(s), whether a personal name or a foundation
- Donation amount
- Pledge/Donation date
- Email address
- Telephone number
- Mailing address for The 1065 Institute to mail a donation receipt to

Online

- Visit https://laffercenter.org
- Select "Donate" in the top right corner of the webpage, complete the online form

Donate Appreciated Securities

- The 1065 Institute is equipped to accept donations of appreciated securities. If you are interested in making a gift of this type, please contact Nicholas Drinkwater via email: NDrinkwater@laffer.com or phone: (615) 460-0100.

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