

# Tax1

## WHITE PAPER

last updated August 24, 2021

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### Introducing TAX1

The name TAX1 came as an error in understanding the ERC-20 protocol; first, it was named with a number and second it was created without the ability to divide it into fractions.

This created a challenge in promoting the new token until an investigation of Stellar Lumens opened the opportunity of placing the token on the Stellar Consensus Protocol (SCP) as a stable coin.

This identity as one of the stablecoins allows TAX1 to function as a facilitator of the digital movement of assets soon to become one of the players in the global fluidity of money, its movement without barriers, with the added advantage of stability of value.

The many native coins being traded today lose their universal usefulness due to the fluctuation of value. One may store a digital coin with a value of X and when they need to exchange the coin it may have a value of X-Y, meaning a value less than what was stored. So, sending a native coin to make payments in another country may not have the desired utility because of the fluctuation of value over time.

Sending digital currency may have the same disadvantage of high cost of exchange as sending fiat currency due to the high cost of moving the money and exchanging it for the local currency.

By using the Stellar Consensus Protocol (SCP) to send the token the money can be sent and exchanged to the local currency at a minimal cost.

Here, we present the TAX1 token, a digital asset that is collateralized one-for-one by the United States dollar, issued by CB Coal. We explain the advantages that TAX1 adds to financial markets, letting those that wish to participate to work together in a trusted and secure, denominated USD-backed asset with the benefits of blockchain technology and the Stellar Consensus Protocol.

It is our position that TAX1 brings to the table a step forward in digital assets. Multiplying the stability, oversight, and infrastructure of the traditional financial system, while operating at the speed of the Internet.

## Why TAX1

Our creator team has worked to develop a token that may retain value, backed by deposits of the US dollars, although at the same time having the functionality of being moved digitally around the world seamlessly from individual to individual.

Traditionally money is used to:

1. Facilitate exchange.
2. Accounting for value
3. Store value.

Digital assets were created partially to facilitate these three functions, to bring about an era of “programmable money” and smart contracts. However, volatility has impeded digital assets from fully performing these three functions.

Unfortunately, instead of digital assets facilitating exchange they are often used to speculate.

This speculation makes using these assets to function as a means of exchange has not been widely adopted.

*Since* most digital asset’s values fluctuate too greatly to be considered an improvement over most standard fiat currencies it is difficult to accept digital assets to account for value. For example, over the past year, (2020-2021) bitcoin has reached a high of over \$60,000 then dropped below \$30,000 on the itBit Exchange against USD<sub>1</sub>. The constant movement is far more representative of a volatile commodity than a stable currency.

As a store of value such digital assets as Bitcoin may represent some improvement over fiat currencies, that tend to continually devalue. However, the volatility of digital assets takes away from their value for storage of wealth.

In short, most digital assets do not achieve the three basic functions of money, with the

major concern coming from their volatility.

Many “cryptocurrencies” are being referred to as “crypto or digital assets” since they don’t act like currency.

However, there is a class of digital assets, that are designed to solve the volatility problem, named: “stablecoins.” This is a category of assets built to hold consistent value in relation to a particular currency over time. Stablecoins have gained traction as a store of value since it has gained significantly in the fundamental characteristic that is key to widespread adoption, that of trust. For this reason TAX1 will be classed as a stablecoins.

## **Background of TAX1**

### **History:**

Commerce takes many different formats in history. In early times kings coined money to facilitate trade. In the absence of money society used the barter system, which worked well in small, closed societies where any trade required just two parties to agree on the equivalence of their goods. However, as kingdoms grew, money in the form of coins took the form of the representations of value.

The next step required populations to accept paper money rather than coins that were made of metal that the population recognized as having value.

Now governments have moved away from paper to digital numbers on a digital ledger. So even for simple accounting to work we are required to trust:

1. Trust that the system will maintain fair market pricing of goods and services against the currency.
2. Trust in a broad set of market participants that follow a new set of operating principles.

No longer could one simply make a simple deal that seems fair for both sides, such as trading milk for eggs, the rules now require that not just the two parties agree on the value of the transaction but everyone within this larger society generally must agree on the value of the goods.

When we consider the issue of universal trust in a money system, we should see clearly why successful monetary systems tend to be issued by governments. A government as a central authority can take control over the value, supply, and the stability of money. To

ensure utility for all market participants, and to create the legal framework under which citizens operate.

When one nation with a central authority, accountability and a defined governing body with laws oversees the currency, all market participants can safely assume a level of trust in the system and each other.

These principles have been the foundation of money for thousands of years. Since they have become a standard in fiat currency across modern nations.

Now enter TAX1 a token designed to be stable, at the same time transferable instantly from one individual to another, supported by US dollars on deposit in insured accounts so dollars are available in exchange for outstanding TAX1 Tokens.

### **Utility of trust in TAX1**

Trust is so important in the operation of the digital asset it has been designed in the logic of the operation of blockchain-based digital assets. The code is rules-based and difficult to change by design. All changes to the blockchain are recorded and confirmed in a decentralized way that is created specifically to democratize access. Instead of using a trusted intermediary to facilitate transactions that may be manipulated by whim, desire or the highest bidder, the blockchain serves as the trusted, consensus-driven protocol.

Bitcoin took the concept of decentralization the furthest such that there is truly no one central figure overseeing it, and few people claim to even know its progenitor. Even with Bitcoin, the low number of core developers and mining pools this coin is still quite centralized despite the original intent was for it not to be.

As trust increases inside the network, digital assets still need to gain a more widespread trust from the public. This trust is being gained as more people are acquiring first-hand experience with the code and are understanding how it works, so digital assets' trustless nature is gaining more trust.

However, the digital assets' lack of physical backing by government fiat allows for volatility of these assets and makes them seem more like investment vehicles and interferes with their value as a form of payment.

On the other side of the question the controls built into the digital asset ecosystem, still pale in comparison to the rigorous systems that already exist for regulation, oversight, auditing, insurance, etc. in the traditional finance system. Since digital assets are relatively new, traditional assets are more trusted.

Blockchain technology has brought us many innovations, such as:

1. Distributed ledgers

2. Decentralized trust
3. Smart contracts, etc.

yet it has not improved on the basic principles that help us recognize money, nor has it built enough trust to achieve universal adoption.

TAX1 is designed to magnify the innovations of blockchain technology to improve the useful function of money, while being supported by the traditional foundation that can ensure it is trustworthy. Now, with a token backed by U.S. dollar deposits, TAX1 can offer a token that combines the trust and stability of fiat currency with the utility, the benefit of immediate use and transfer of digital assets.

### **Basics**

TAX1, is a token that is backed one-to-one by USD deposits and available through CB Coal using the Stellar Consensus Protocol (SCP). TAX1 is available one-to-one in exchange for USD and redeemable one-to-one for USD. Upon redemption, TAX1 tokens are immediately removed from the market; TAX1 are only in released to the market when the corresponding dollars are in custody.

CB Coal keeps dollars exchanged for TAX1 in FDIC insured bank accounts, US government Treasuries or secure accounts insured and backed by equivalent assets for easy access.

In other words, CB Coal accepts dollar deposits and issues TAX1 tokens which can be traded, transacted, and transferred easily and without friction.

Currently, the economy of digital assets is fluid, global and fast, yet faces meaningful roadblocks and high trading cost when trading between digital assets and fiat because of the inherent delays in the traditional banking system.

TAX1 gives users the convenience of keeping their liquidity in digital assets while still maintaining stability.

TAX1 is as good as or better than fiat in each of its functions: it is easier to exchange, maintains the same unit of account and provides the same store of value. Fully collateralized by the USD, TAX1 is therefore an improved model for money.

### **Key Product Features and Benefits**

- TAX1 tokens are issued and redeemed by CB Coal. CB Coal issues TAX1 directly with no need for any middlemen. This enables more efficient operations, including shorter redemption windows (TAX1 can be redeemed for dollars fast while benefiting from the fees set up by the Stellar Consensus Protocol (SCP)).
- TAX1 can be sent to or received by anyone with an Ethereum wallet. All transactions operate according to the rules of a smart contract on the Ethereum platform following the ERC-20 protocol. Because of this smart contract, transactions eliminate human error, and the system operates only as programmed.
- TAX1 by being exchanged through the Stellar Consensus Protocol allows users to cash out of their holdings directly and instantaneously to TAX1 rather than cash if they choose.
- TAX1 is available 24/7 to facilitate settlement against any type of asset including crypto, security for asset tokens or for payments. Unlike fiat, which is only available to settle trades during bank business hours, TAX1 can move anywhere, anytime.

### **Early Use Cases**

The many uses for TAX1 include:

- A means of cross border payments SCP is set up to trade TAX1 for dollars cross border or for the local currency.
- Conversion to a stable asset as a hedge during times of volatility. Investors who trade digital assets can hold assets in TAX1 to limit exposure to digital asset volatility, thereby benefiting from the stability of the US dollar at low fees without incurring the delays of converting to fiat.
- Execution of more complex, programmable digital asset transactions with less volatility. TAX1, built on ERC-20 with Ethereum and SCP, smart contract support, is designed to handle sophisticated transaction terms and conditions and work within the larger ecosystem of tokens, while mitigating volatility risk.
- Settlement of assets with fiat currency outside of traditional banking hours. Financial institutions and trading firms can use TAX1 as a proxy to settle the cash component of a trade 24/7.

### **Longer Term Utility**

#### *Asset Mobility and Settlement*

A tokenized representation of USD resolves friction between digital assets and fiat. Because of the restrictions of banks, it costs time and money to convert digital assets into fiat. TAX1 instead creates a “home base” for the dollar in the digital world, with instant settlement when cashing out to TAX1 rather than USD. In other words, TAX1 will aid the quick and efficient settlement of the cash component of digital asset transactions, and frequent traders will prefer to hold cash in TAX1 rather than in USD for its greater utility and liquidity. In the future, TAX1 can aid in the frictionless mobility and fast settlement of any asset—not just digital assets—but also commodities, securities, real estate and even more esoteric assets like fine art and collectibles.

#### *Ecosystem Development*

To start, we expect digital asset exchanges to list TAX1 and large OTC traders to offer TAX1 as a cash out option. Both categories will offer TAX1 in response to likely immediate demand by customers.

### **Economic Implications**

The potential for TAX1 goes much deeper. The promise of the concept is a fluid, digital asset that can easily move anywhere, anytime, in a trustworthy way with the universal understanding of exactly how much value it represents. This type of digital asset with its ease in transaction can influence trade and commerce globally while enabling access.

#### *Cross border Payment System*

TAX1 can serve as a common payment for cross border transactions. Using the SCP, TAX1 has utility across a wide range of applications and an immediate potential footprint across the globe. Rather than issuing new money, as past coins have attempted, TAX1 provides a more stable representation of existing money with accepted and trusted value. TAX1 aims to make all assets, fiat or digital, liquid, providing a common payment for transactions within and across asset classes. TAX1 is designed to be flexible, fast, and global from its outset.

TAX1 by using Stellar lumens greatly reduces cross-border transaction fees, allowing commerce and trade to occur more fluidly. This improvement alone to the current system could unlock billions in foreign exchange fees.

#### *Adoption by Consumers*

One day, consumers may look to TAX1 to fill their consumer needs.

CB Coal will issue 2,000,000,000 TAX1 tokens; each to be exchanged for \$1 USD, for each dollar 1 TAX1 is issued. Similarly, on the redemption side, 1 TAX1 can be redeemed for \$1 USD. The exchange will always be one-to-one. The Dollars will be kept in secure accounts and wallets so they will be available to redeem each token when presented by the owner. The