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## *Politics, Economics, and Current Events*

### [Is Herman Cain's 9-9-9 Plan a VAT Tax?](#)

By

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Obviously, there is much to be said about Herman Cain's 9-9-9 tax plan, and after tonight's GOP debate, I'm sure there will be more. Cain's plan includes a drastic overhaul of the federal tax code (don't get me wrong, the IRS is in serious need of an overhaul), so naturally skepticism runs rampant – and rightfully so. I came across some interesting stories today, where both *National Review* and the *Cato Institute* [assert](#) that Cain's plan includes that oh-so-dreaded phrase – a national VAT tax.

Josh Barro [National Review] and Bruce Bartlett [Cato] are both claiming that the business portion of Cain's 9-9-9 is a value-added tax (VAT) rather than a corporate income tax.

In other words, instead of being a 9 percent flat tax-9 percent sales tax-9 percent corporate tax, Cain's plan is a 9 percent flat tax-9 percent sales tax-9 percent VAT.

Let's elaborate. The business portion of Cain's plan apparently **does not allow employers to deduct wages and salaries**, which means — for all intents and purposes — that they would levy a 9 percent withholding tax on employee compensation. And that would be in addition to the 9 percent they presumably would withhold for the flat tax portion of Cain's plan.

Employers use withholding in the current system, of course, but at least taxpayers are given credit for all that withheld tax when filling out their 1040 tax forms. Under Cain's 9-9-9 plan, however, employees would only get credit for monies withheld for the flat tax.

In other words, there are two income taxes in Cain's plan — the 9 percent flat tax and the hidden 9 percent income tax that is part of the VAT (**this hidden income tax on wages and salaries, by the way, is a defining feature of a VAT**).

If there is one thing I am definitely on board with, it's abolishing the entire federal tax code and starting from scratch. But I cannot help but fear a federal sales tax alongside a federal income tax. With the potent impulse of 9-9-9 climbing to 15-15-15, such a plan could be a boon for big-spending Washington bureaucrats.

Now if we eliminate the federal income tax, then I'm ready to talk.