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A flat income tax makes more sense than a flat sales tax

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A recent editorial touted the 30-percent national retail sales tax, H.R. 25, also known as the “*FairTax*.” This column will offer the other side of that proposal.

Individuals: I propose a single 10-percent rate. We need not bow to the rantings of the silly Marxist class warriors who demand that the rich be punished at ever higher progressive rates “*because they can afford it*,” or because they somehow “*benefited more*” from government. We all have equal opportunity to get rich and the rich still would pay relatively more dollars under my very flat income tax.

Everyone eligible to vote (who can thus be pandered to by Congress) must feel some pain when Congress spends our tax dollars. Congress steals from those who pay tax, to buy the votes of those who pay no tax.

Today, only about half of all eligible voters pay no federal income tax, no Social Security/Medicare tax, but receive a net tax welfare check (via “*refundable tax credits*” — i.e., your money). Our president and the GOP (see “*A Better Way*”) propose eventually to slaughter taxpayers by reducing the number of people who pay taxes (i.e., by doubling the standard deduction). Taxpayers would then comprise only 40-plus percent, an irreversible, indefensible minority. Congress must reverse this!

Instead, over four years, I would phase out the standard deduction, all itemized deductions, all personal exemptions and all refundable tax credits. This dramatically would increase the number of eligible voters who would contribute to the general burden, pay for their own Social Security/Medicare benefits, while reducing (tax) welfare. This would create more responsible voters and would curb Congress’ unconstitutional wealth redistribution and vote-buying.

Business income should be taxed only once (i.e., no tax on dividends), at 10 percent, and on a very simplified basis. You could use a business’ audited financial statements as the basis for their tax return.

Every individual/business could prepare their taxes on one sheet of paper in less than an hour, without needing a certified public accountant.

Cheating would decline, compliance costs and complexity disappear. People and businesses would be free to make decisions based upon economic, not tax, considerations. The Internal Revenue Service would be neutered.

As a senior FairTax (see below) officer admitted, any new simpler tax system (flat income tax or the FairTax) can be manipulated by future Congresses and so it is up to all of us to continually monitor the rascals in Congress.

For 18 years, a national lobbying group, Americans for Fair Taxation, has been selling a 30-percent national sales tax, the FairTax, H.R. 25, which I expose to be a progressive financial scam!

FairTax proudly advertises that it is more progressive (i.e., more welfare).

FairTax's "*probate*" is a \$600 billion new entitlement! The probate is deceptively advertised as merely protecting the poor from paying any tax, as if we all agreed. Actually, more lower-income people would pay nothing and receive a bigger tax welfare check. The probate artificially would increase poverty level spending and grossly overestimate how much tax they would pay and then pays them that inflated amount.

A senior Americans for Fair Taxation officer had no criticism of any of my specifics, but could only offer that "*we have to give the poor a ladder out of poverty.*" Translation: More welfare will buy more votes.

FairTax is a 30-percent (not the deceptively advertised 23-percent) national sales tax on virtually everything you buy — they divide a \$30 FairTax (on a \$100 pre-FairTax price), by the total, \$130.

Retail prices would rise by nearly 30 percent. FairTax lobbyists finally appear to admit to this. If the FairTax is supposed to be revenue-neutral (it will fail), the tax must be added to prices.

The combined federal-plus-local 30- to 45-percent sales tax would spark a taxpayer revolt destroying our retail economy. At an illustrative 30-percent evasion/avoidance rate (laughably, FairTax "*assumes*" zero), a \$1 trillion shortfall likely would result in adding a new income tax (Cato Institute agrees with my result).

Used property is advertised as exempt, but that may be a cruel hoax. Requirements for this exemption may be impractical to satisfy.

Their claim that the IRS would be abolished is a myth. FairTax's new IRS — Sales Tax Administration Authority — may be more invasive by auditing consumers and requiring an annual filing.

Many middle-class seniors would pay more FairTax than they would have paid in income tax and lose purchasing power. All seniors would begin to pay Social Security/Medicare taxes again and would be double taxed on any previously income-taxed savings.

FairTax promises grand economic benefits which are entirely unpredictable, mere hype and change. Their many claims are superficial and false.

A sales tax may work at the state level, but it fails raising \$3.5 trillion nationally. Early FairTax-engaged Harvard economist Dale S. Jorgenson wrote, "*In trying to replace three taxes, FairTax takes on too great a burden for it to carry.*"

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