

## Voters rejected a VAT on Election Day

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It's been a week since the great electoral tsunami of 2010, and the exit polling is coming in. This bi-annual ritual allows us to dig into the real thoughts and feelings of voters. ATR commissioned a poll by Kellyanne Conway's *The Polling Company, inc./Woman Trend* to see what voters thought about a value-added tax (VAT). The results are a stunning rejection of a VAT for America.

First, what is a VAT? A VAT is a type of sales tax one finds in Western Europe, Canada, and Japan. Unlike a U.S. sales tax, which is on top of the price of whatever you're buying, a VAT is actually embedded inside the price of a good. When you get a one-liter bottle of soda for 2 Euro in Germany, somewhere hidden inside that 2 Euros is the VAT. Like most people, you forget it's even there (if you ever knew in the first place). Politicians have figured out that this opacity makes it very easy to raise VAT rates. As a result, the average VAT rate in Western Europe grew from 5 percent in the 1970s to 20 percent today. The European Union has a minimum 15 percent VAT rate as a condition of joining the common market.

A VAT in the United States would be disastrous for controlling the size of government. Assuming a European VAT base, even a 1 percent VAT would generate \$50 billion per year in new tax revenue. If the average European VAT rate of 20 percent was eventually imposed, it would mean a tax gusher of \$1 trillion per year, or about as much as the entire personal income tax already raises in tax revenue.

This hasn't stopped many on the American Left (and some of their useful idiots on the American Right) from advocating a VAT — either as a straight add-on or as a replacement for some existing U.S. tax. Of course, even a replacement VAT that starts out revenue-neutral won't stay that way. Politicians won't be content to leave the VAT well enough alone, and all taxes rise to their highest level of political viability.

The VAT specter took a major hit on Election Day. The American people have firmly rejected a VAT. The exit polling is shocking in how strong that rejection is. Sixty-three percent of voters are opposed to a VAT. Not a single demographic group supports it — no age, race, ethnicity, region, education level, gender, parental status or marital status. Not a single partisan affiliation supports a VAT — Republican, Democrat, or independent. Every income level opposes a VAT, with the strongest opposition (over two-to-one) coming from families and individuals making less than \$25,000 per year (the group, incidentally, most adversely-affected by a new tax on consumption). The only slice of voters supporting a VAT — self-identified liberals — still registered a high opposition level of 40 percent.

If these results don't put the final nail in the VAT coffin, nothing will. For years, liberal academics and politicians have pushed a VAT as a new source of revenue. Even some conservatives have foolishly entertained a VAT. The simple fact is that this is the tax which made Western Europe the debt-ridden sinkhole it is today. According to research conducted by the Cato Institute's Dan Mitchell, aggregate tax burdens in the United States and Western Europe were roughly comparable before the continent

adopted VATs. The U.S. level is the same as before, but Europe's has shot up by double digits. All the old taxes rose even as the VAT grew and grew. There's no reason to believe the same thing would not happen here. Thankfully, it appears that voters get this, and will not be entertaining any dangerous new tax schemes in the near future.

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