

Economy

Mitchell: Fight the Coming Federal Sales Tax

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Congress is now unofficially looking at a value-added tax (VAT), basically, a federal sales tax, as a means of paying for all the new — and old — government programs that are facing huge future funding deficits.

But Daniel J. Mitchell, a senior fellow at the Cato Institute argues in a Wall Street Journal op-ed piece against the consumption tax, pointing out its short comings, including the inevitable expansion of government which will follow in its wake.

A VAT, says Mitchell, "...is like a national sales tax collected at each stage of the production process, rather than at the final point of sale."

The VAT proposal that Congress is unofficially considering would not replace the existing income tax, and its proposed increase and the new rules limiting itemized deductions that the Obama administration has said it wants.

As evidence from the European Union shows, a VAT will only add to the already burdensome tax obligations of the U.S. taxpayer and further bloating of government, says Mitchell.

Frankly, nothing will help U.S. taxpayers or curtail the growth of government "unless Medicare, Medicaid and Social Security are reformed," Mitchell writes.

The imposition of a U.S. VAT may therefore seem almost inevitable.

"The bottom line is that the income tax cannot support the level of spending that's projected, something other countries faced years ago," said Robertson Williams of the non-partisan Tax Policy Center, quoted on CNNMoney.com

VAT generates almost 50 percent of all government revenue in most of the developed world, he points out.

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