



Mark Landsbaum: Taxes now a vehicle for redistribution

By Mark Landsbaum

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For typical Americans, April 15 wasn't the end of it. On average, we have almost another week before we're through paying state and federal taxes this year.

Tax Freedom Day falls on Monday, April 21, says the Tax Foundation, which annually calculates how long it takes to pay off \$3 trillion in federal and \$1.5 trillion in state taxes. Effectively, on April 21, you start keeping money you earn, instead of the government taking it from you. By the way, that's more than you spend on food, clothing and housing, combined.

Of course, there are a few *incidental* additional taxes, including taxes on hotel rooms, liquor, "luxuries," business inventory, car rentals, personal property, inheritance, dog licenses, service charges, fishing licenses, hunting licenses, marriage licenses, building permits, telephone usage, telephone federal excise charges, telephone minimum usage surcharge, telephone federal universal service fee and gasoline, to name a few.

Don't forget interest and penalties if you are late paying state and federal taxes, effectively taxes on taxes. To add insult to injury, you can pay income tax on Social Security "benefits," which some might recognize as double taxation because those "benefits" are nothing more than previously paid taxes already collected from you. Yeah, you pay tax on your taxes the government deigns to give back to you.

All of this would be less remarkable but for the uncomfortable fact that the United States was born by a tax rebellion. It is all the more remarkable considering the patently obvious fact that taxes are economically destructive, counterproductive and, frankly, unjust.

"The code is incomprehensible," observes John Stossel, a noted libertarian tax critic. "You can get a deduction for feeding feral cats but not for having a watchdog, for clarinet lessons if your orthodontist thinks it'll cure your overbite, but not for piano lessons a psychotherapist prescribes for relaxation."

Does this seem a tad arbitrary? It's worse than arbitrary. It's discriminatorily punitive and unjustly recompensing. The tax code punishes behavior some politician, or more likely, some tax collecting bureaucrat decides should be discouraged, while rewarding other behavior deemed by government to be preferable.

But aren't taxes "what we pay for civilized society," as former Supreme Court Justice Oliver Wendell Holmes contended?

How civilized is it that half of Americans pay zero federal income tax, while 10 percent of Americans pay 71 percent of the total? If that's civilization, escaping to live in caves looks pretty appealing.

Then, consider that many who pay no taxes nevertheless benefit from what euphemistically is called a "negative income tax." In English, that means money is taken from taxpayers and given to people who pay no income tax. Another insult: It's commonly considered a tax refund. Yep, a refund for people who didn't pay anything. Try getting one of those at Walmart. Civilized?

In 2012, this ludicrously named Earned Income Tax Credit took about \$60 billion from wealthier Americans and gave it to the working poor. And you thought taxes were supposed to pay for the workings of government?

If taxes were limited to lubricating the machinery of government, they would be onerous enough, considering the Rube Goldberg contraption government has become. But once they have your money, good luck limiting how they spend it.

Taxes have become the vehicle for Soviet-style redistribution. For every dollar spent defending the homeland from a hostile world, two bucks are redistributed in "entitlement" programs. Since many on the receiving end also are, or once were, on the giving end as taxpayers, the unjustness of this redistribution is difficult for some people to grasp as the largess flows to them for Medicare, Medicaid, Social Security, etc.

That's part of the secret: Keep the suckers in the dark. Here's a simple way to figure out whether government as redistributive nanny is a good idea. When considering return on investment, private investment, which is remarkably safe over the long term, far outstrips Social Security, which is safe only if you ignore the fact it now operates at a deficit, paying out more than it takes in.

A worker who invested privately for 40 years would have earned an average yearly return of 6.85 percent investing in the S&P 500, or 3.46 percent from corporate bonds, and even 2.44 percent from government bonds, says the libertarian Cato Institute.

"If workers who retired in 2011 had been allowed to invest the employee half of the Social Security payroll tax over their working lifetime, they would retire with more income than if they relied on Social Security," says the Cato Institute's Michael D. Tanner. "Indeed, even in the worst-case scenario – a low-wage worker who invested entirely in bonds – the benefits from private investment would equal those from traditional Social Security."

Moreover, Social Security “benefits” evaporate upon your death. But a worker can leave whatever is left in his private account to loved ones after his death. That would be civilized.