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RAHN: American income tax tyranny

Our forebears rebelled over fewer insults than we must bear today

By Richard W. Rahn
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Americans, now 236 years removed from the Decla- ration of Independence, have acquiesced to far more tax tyranny - and I do not use that word lightly - than the British tax tyranny that ignited our revolt.

Modern-day apologists for the progressive income tax argue that it is just - because it is imposed by the "consent of the governed" - and that is merely their first lie. America was established as a constitutional republic to protect despised minorities from the tyranny of the democratically elected majority. Democracy and consent of the governed are distinctly different concepts. Once it becomes acceptable to divide a population into classes, majorities can easily take the right of consent from a minority. Did black Americans, despite living in a democratic country, consent to being forced to ride in the back of the bus before the civil rights movement? Democratic countries have been known to place higher taxes on religious minorities - without their consent. Racial, religious and ethnic discrimination may be out of fashion, but discrimination based on occupation and income is quite in fashion - and equally despicable.

The United States has the most progressive (i.e., unequal) tax system in the world. The bottom 50 percent of income earners, on average, receives more in tax benefits than they pay in taxes - while the highest earners pay a wildly disproportionate amount of their income in taxes - despite the myth that Warren Buffett has a lower tax rate than his secretary. A progressive income tax only meets the test of "consent of the governed" when a majority of each class of taxpayers consents to its tax rate. Otherwise, it is tax tyranny of a low-tax-rate majority against a vote-poor, high-tax-rate minority. The apologists for the progressive income tax claim it is only "fair," ignoring the fact there is nothing at all "fair" about taxing at a higher tax rate those who work longer and harder and/or spend more time acquiring an education and work skills. It is destructive and tyrannical for a society to tax the most productive, innovative and job-creating people at a higher rate than others.

Most tyrannical regimes impose laws that are so extensive, complex and uncertain that the people can never know whether they are in compliance or not. This enables the state to target anyone, knowing they will almost certainly find some violation. The U.S. tax code now has something in the order of 77,000 pages. Obviously, no one person or even a group of tax professionals, including those at the Internal Revenue Service, can possibly know all of the rules and regulations. Hence, everyone is at risk of selective prosecution. If someone is out of political favor, he may wind up in jail as well. There are those who have served jail time for less serious offenses than those committed by those who are politically favored, such as Secretary of the Treasury Timothy F. Geithner, who oversees the IRS, and the former head of the congressional tax-writing committee, Rep. Charles B. Rangel, New York Democrat. It pays to be the king or, at least, in his favor.

Tax tyranny also exists when tax rates (the sum of federal, state and local) are above the revenue maximizing rate, particularly when such rates are well known to competent tax economists and the politicians they advise. An example of this is President Obama's proposal to increase the capital gains tax on the "rich" to at least 30 percent, which is almost a guaranteed revenue and job killer. Such taxes are designed to punish certain groups of people, not raise revenue.

Another example of tax tyranny occurs when taxes are collected to support programs that are not within the Constitution or do not meet reasonable cost-benefit, anti-mismanagement or corruption tests. Too much of government spending fails the above tests. If these tests were fully complied with, the individual income tax would not even be necessary.

Both the former Soviet Union and Nazi Germany imposed sizable exit taxes on their citizens - primarily Jews who tried to emigrate. Such tax tyranny is correctly viewed as a violation of a basic human right to move. Yet, the United States is one of the few remaining countries that still taxes people after they have left and are no longer U.S. citizens. Now, Sen. Barbara Boxer, California Democrat, is pushing a bill to go even further by preventing people from getting a passport on the mere allegation (not conviction) by the IRS that they owe $50,000 or more in unpaid taxes.

The Institute for Justice reported this month: "Under new regulations that represent an unprecedented power grab, the IRS now seeks to control whom you may hire to prepare your tax returns. Congress never gave the IRS the authority to license tax preparers, and the IRS cannot give itself that power." Let's see: The IRS claims it wants to protect consumers from people who do not fully understand the tax code. But then neither does the IRS nor Congress - so who is going to protect us from them?

Richard W. Rahn is a senior fellow at the Cato Institute and chairman of the Institute fo