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## Video: A primer on the VAT tax

posted at 1:36 pm on October 14, 2009 by Ed Morrissey

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Dan Mitchell picks up on the increased talk of imposing a federal value-added tax, and the [Cato Institute](#) scholar gives a primer on the VAT and its implications. Some conservatives have talked about eliminating the income tax in favor of a VAT in the Fair Tax proposal, which Mitchell says might work — but that's not the context of this proposal from Nancy Pelosi and other leading Democrats. They want a VAT *on top of* the existing income tax — and they want to increase the income tax and other taxes at the same time. [Mitchell explains](#) that they need the taxes in order to fuel their drive towards statism:



The VAT would be great news for the political insiders and beltway elite. A brand new source of revenue would mean more money for them to spend and a new set of loopholes to swap for campaign cash and lobbying fees. But as I explain in this [new video](#) from the Center for Freedom and Prosperity, the evidence from Europe unambiguously suggests that a VAT will dramatically increase the burden of government. That's good for Washington, but bad for America.

It's worth noting that even if the politicians are unsuccessful in their campaign to take over the health care system, there will be a VAT fight at some point in the next few years. This will be a Armageddon moment for proponents of limited government. Defeating a VAT is not a sufficient condition for controlling the size of government, but it surely is a necessary condition.

Democrats seem almost pathologically compelled to restore their status as a tax-and-spend party. Nine months into the first era of complete Beltway control since 1994, all they have offered is massive spending plans backed by massive new taxes. A VAT would not just be another example of this, but would be the most visible of all their proposed taxes, hitting consumers on every retail transaction. And, as Mitchell notes, the VAT would have a multiplier effect, as it gets applied at every stage of the distribution chain.

Mitchell is absolutely correct about the necessity of blocking more revenue for statism. The VAT proposal gives Republicans their best chance at showing the grasping, greedy nature of the Democratic Party agenda in Congress. They need more money to buy more votes. We need less government to give them less power to corrupt the government. In that tug of war, most voters will choose the latter instinctively.

## Blowback

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## Comments

Comment pages:

Once you accept the idea that it's government's money, and they just let you keep some of it – everything they do makes sense.

[lorien1973](#) on October 14, 2009 at [1:38 PM](#)

But really. Can CATO please – I beg you – get someone in these videos whose voice isn't grating and irritating to listen to? Please?

[lorien1973](#) on October 14, 2009 at [1:39 PM](#)

VAT- not just Wrong but Evil

[pseudonominus](#) on October 14, 2009 at [1:40 PM](#)

At least they *tax* and spend. The republicans simply *borrow* and spend. lol

The Calibur on October 14, 2009 at [1:42 PM](#)

I really think that most libs would be happy having 80% tax rates as long as the govt provided 80% of what they needed  
ie, i honestly think most libs actually want REAL socialism.

battleoflepanto1571 on October 14, 2009 at [1:43 PM](#)

Hmmmm... anyone else up for a Political Party that brings back the ORIGINAL Consitution?

All it needs a Supreme Court finding that MEN in the Consitution means the RACE of MAN... ie all women children and ethnicities (thus getting rid of slavery, and giving all the right to vote and such)...

Go back to Capitation for taxes... Senators SELECTED to represent their States directly... heck, I'd even go for the Guy who was Second for President (VP) actually RUNNING the SENATE like he is supposed to.

Romeo13 on October 14, 2009 at [1:43 PM](#)

The Fair Tax is a sales tax, not a VAT. The VAT is applied at each level of production. Sales taxes are only applied when a product is sold to the consumer.

As such, they have different affects on the economy. Additionally, a sales tax is not hidden, a VAT is.

MarkTheGreat on October 14, 2009 at [1:43 PM](#)

Does anyone know what the average tax rates have been historically? I mean over several hundred or thousand years, historically. It seems to me that they are very high in the West today, and I wonder if that is demonstrably true or not.

[kc8ukw](#) on October 14, 2009 at [1:43 PM](#)

kc8ukw on October 14, 2009 at 1:43 PM

the medieval church was -evil- because it wanted a 10% tithe.

[lorien1973](#) on October 14, 2009 at [1:44 PM](#)

The problem is that they have removed most Americans from the income tax roles. So they need to find a new tax that brings them back in. All the while telling Americans that this is good for them.

MarkTheGreat on October 14, 2009 at [1:45 PM](#)

In that tug of war, most voters will choose the latter instinctively.

If that were true, Americans would not continue to vote in politicians that have increased the percentage of Americans who pay no federal income tax, from about 18% in 1984 to 47% in 2009.

Firefly\_76 on October 14, 2009 at [1:45 PM](#)

A VAT tax in replacement of income taxes would mean a lot less frustration around April 15 and a lot fewer tax lawyers/tax practitioners, though.

Jimbo3 on October 14, 2009 at [1:46 PM](#)

I've seen several studies that show that regardless of the actual tax rates, tax revenues never exceed 20% of GDP. This strongly applies that the highest effective marginal tax rate is pretty close to 20%.

MarkTheGreat on October 14, 2009 at [1:47 PM](#)

Nine months into the first era of complete Beltway control since 1994, all they have offered is massive spending plans backed by massive new taxes.

That's not fair, Ed. The dems have done much more than that. They've also weakened us in the face of aggressive, belligerent enemies, denigrated every American tradition, sided with those enemies, all the while using the Constitution as toilet paper. The Dems have hit just about every angle they could to bring this nation to its knees.

The Dems are true *Renaissance Traitors*. Impressive, when you think about it.

progressoverpeace on October 14, 2009 at [1:48 PM](#)

But I make less than \$250,000. So I don't have to pay it, right?

FreakyBoy on October 14, 2009 at [1:48 PM](#)

A VAT tax in replacement of income taxes would mean a lot less frustration around April 15 and a lot fewer tax lawyers/tax practitioners, though.

Jimbo3 on October 14, 2009 at 1:46 PM

You and other libs know full well it would never be passed to *replace* the federal income tax, only as an addition to it. The VAT is "regressive"; can't have that /s

Firefly\_76 on October 14, 2009 at [1:48 PM](#)

If that were true, Americans would not continue to vote in politicians that have increased the percentage of Americans who pay no federal income tax, from about 18% in 1984 to 47% in 2009.

Firefly\_76 on October 14, 2009 at 1:45 PM

A VAT would be different though. That affects everyone who participates in the economy. Even those idiots waiting in line in Detroit for "Obama money" will have to pay more.

Doughboy on October 14, 2009 at [1:49 PM](#)

According to the Fair Tax book, the cost to companies of paying and **complying with**, the tax code is close to 30%.

A sales tax of 30%, combined with the complete elimination of business taxes, would not increase the cost to the consumer.

MarkTheGreat on October 14, 2009 at [1:49 PM](#)

I'm fine with a VAT as long we ditch all other forms of federal tax. It would even help even out our trade imbalances with Europe by making our manufacturers more competitive.

DFCtomm on October 14, 2009 at [1:49 PM](#)

Part of the Fair Tax plan includes repealing the 16th (???) ammendment.

MarkTheGreat on October 14, 2009 at [1:50 PM](#)

DFCtomm on October 14, 2009 at 1:49 PM

Especially if the tax is not applied to products being shipped over seas.

MarkTheGreat on October 14, 2009 at [1:51 PM](#)

The problem is that they have removed most Americans from the income tax roles. So they need to find a new tax that brings them back in. All the while telling Americans that this is good for them.

MarkTheGreat on October 14, 2009 at 1:45 PM

The GOP should go along with this. As you point out it taxes people who are either no longer subject to income tax or who are foreigners. Once it is in place a subsequent GOP congress can lower marginal income tax and capital gains rates. They can also simplify the tax code and downsize the IRS. It is better to tax consumption than savings and investment.

dedalus on October 14, 2009 at [1:51 PM](#)

Part of the Fair Tax plan includes repealing the 16th (???) ammendment.

MarkTheGreat on October 14, 2009 at 1:50 PM

That's key; no VAT without repeal of the 16th A. Otherwise it will be an additional tax, not a replacement.

Firefly\_76 on October 14, 2009 at [1:52 PM](#)

DFCtomm on October 14, 2009 at 1:49 PM

Especially if the tax is not applied to products being shipped over seas.

MarkTheGreat on October 14, 2009 at 1:51 PM

We can refund the VAT in the same way Europe does.

DFCtomm on October 14, 2009 at [1:53 PM](#)

A 10% VAT equals a 30% income tax.

In other words, we would double the entire federal tax burden by implementing a VAT.

Not to mention that it greatly inhibits economic growth. The average annual GDP growth of EU countries over the past 10 years has been an anemic 0.9%.

Norwegian on October 14, 2009 at [1:53 PM](#)

Great...

A supply and demand tax that never goes down.

[upinak](#) on October 14, 2009 at [1:55 PM](#)

Well done—clear, concise and understandable. I hope this guy is taking his charts and traveling around the country with this. Got to get those Dems out of there. Then get someone in there with some fiscal common sense.

jeanie on October 14, 2009 at [1:58 PM](#)

That's key; no VAT without repeal of the 16th A. Otherwise it will be an additional tax, not a replacement.

Firefly\_76 on October 14, 2009 at 1:52 PM

Problem is that you'd have to replace the 16th... without it VAT would be unconstitutional...

Romeo13 on October 14, 2009 at [1:58 PM](#)

I say bring it on. Let's shift at least some of the tax burden onto the 47% of Americans that have no Federal tax liability. At least some of them might wake up and start to apply critical thinking skills when they see the price of everything skyrocket. I mean after cap and tax along with health care boondoggle are passed there won't be a middle class left anymore.

Johnnyreb on October 14, 2009 at [1:58 PM](#)

The GOP should go along with this. As you point out it taxes people who are either no longer subject to income tax or who are foreigners. Once it is in place a subsequent GOP congress can lower marginal income tax and capital gains rates. They can also simplify the tax code and downsize the IRS. It is better to tax consumption than savings and investment.

dedalus on October 14, 2009 at 1:51 PM

haaaahaaaahaaaaa! that's pretty funny. lower... hahahaha. simplify ... HAAAAAHAAAAA! DOWNSIZE!  
HAAAAAAAAAAAAAAAAAAAAAAAAAAAAA! Sorry. But that was pretty funny. I mean, at the moment, the GOP isn't really the GOP. We need a new truly conservative party before you talk like that.

j\_galt on October 14, 2009 at [1:58 PM](#)

VAT tax

Is that like "ATM machine"?

Doesn't the T in VAT stand for "tax"?

[Abby Adams](#) on October 14, 2009 at [2:00 PM](#)

Have to love that VAT tax in Canada... [Pierre Limieux in 1994 looked at it at the Globe and Mail](#):

As budget day nears, politicians of all stripes warn us that tax evasion is rampant in Canada. Before he started talking about tax increases, Finance Minister Paul Martin had declared that "hundreds of thousands of otherwise honest people ... have withdrawn their consent to be governed" by escaping in the underground economy.

The problem is that the politicians do not seem to draw the right conclusions. Pressed for money — actually, nearly bankrupt —, the federal government, as well as some provincial governments, has decided to clamp down on the underground economy. Revenue Minister David Anderson has declared a war on tax evaders.

After shopkeepers defied the law by openly selling smuggled cigarettes in Saint-Eustache, Qué., Bloc Québécois leader Lucien Bouchard came out against what he sees as a new state-cheating culture. He apparently thinks that citizens should always obey the rulers. Indeed, the governing class shows a rare unanimity in bringing the Canadians back under the government's rod of iron.

[..]

First, how did tax evasion develop among so docile a people as the Canadians? The answer lies, of course, in the tax burden they have to shoulder. Tobacco, on which federal tax rates have increased by 150% over the last five years, is only the tip of the iceberg. The total tax take by all levels of government now amounts to nearly 40% of the Canadian gross domestic product. If we include the deficits, which are just future taxes, government takes close to one half of what people produce and earn in this country. In two words, tax evasion is a response to tax invasion.

[..]

Galloping regulations are another factor. Some of them come with taxes: Small businesses now have to perform time-consuming GST accounting, and prepare a complex quarterly report. I don't know if we ever were a nation of shopkeepers, but we are certainly becoming one of tax collectors and accountants. Other forms of regulation — labor regulations, for instance — make it much more simpler and cheaper to go underground, for consumers and suppliers alike.

The second question is, How could we ever accept such a tax burden in the first place? One hundred or 200 years ago, the great Western thinkers to whom we owe whatever liberty we have left would never have thought this could happen in a free country.

[..]

The third question relates to the state's reaction. Politicians argue that the individuals who do not pay their "fair share" thereby increase the tax burden of other citizens. The main thrust of the coming federal and provincial budgets may well be to increase the effective tax burden under the guise of "fair shares."

This is a naïve cliché which assumes that political and bureaucratic processes naturally lead to the optimal amount of taxes required to finance unanimously demanded public services. What actually happens (at least if we agree with the Public Choice approach in economics) is that the government will take as much as it can, it will charge what the traffic will bear. Governments satisfy minority pressure groups and buy votes through spending. If Canadians in the underground economy were to start paying their "fair" taxes, government revenues and expenses would just increase by the amount of the new taxes. In this perspective, the underground economy is a useful restraint on Leviathan, and a benefit to all taxpayers.

The VAT tax makes the shopkeepers the tax collectors... and they don't much like it. Nor do people like paying it, thus they go to the black market to make purchases. Yes people actively avoid paying the VAT in any way possible, thus making the VAT less effective and moving more of the economy underground. I remember shopping in Canada a year or two after the VAT came in and shopkeepers enjoyed having a Yank buying things as they didn't have so much paperwork to fill out... of course the government put a stop to that so that the traveling purchaser must now go to the government to get their money back... no fair those shopkeepers having less work to do!

No one really talks about the pernicious effects of a VAT, and how it will be avoided as more and more goes online and can be purchased via overseas transaction systems. What can the government do when money changes hands outside of its jurisdiction for goods and services? Why TAX IT as it leaves, of course! Not that this will stop the wiley, which will become just about

everyone trying to save some money.

This country was founded on a war based on taxation.

And that is what will bring about the next revolution: taxes.

[ajacksonian](#) on October 14, 2009 at [2:01 PM](#)

VAT **on top of** income tax?

Ron Paul for President? Anyone?

Beuller? Beuller? Beuller?

[SilverStar830](#) on October 14, 2009 at [2:02 PM](#)

Romeo13 on October 14, 2009 at 1:43 PM

I'll join!

A combination of Fair Tax, repeal of the 16th Amendment and a total cleanout of the sewage in Congress and the White House would make a significant start toward restoring the USA to its former greatness.

[MrScribbler](#) on October 14, 2009 at [2:03 PM](#)

But that was pretty funny. I mean, at the moment, the GOP isn't really the GOP. We need a new truly conservative party before you talk like that.

j\_galt on October 14, 2009 at 1:58 PM

The VAT is a Trojan horse. Let Pelosi bring in the apparatus that will ensure Dem constituents will always have to pay taxes. The GOP will get elected again, somewhere down the road. As commenters above point out tax revenue as a % of GDP seems to hover around 19%. If Dem voters suddenly have to see the government collecting taxes rather than just supplying benefits it may change the political calculus.

dedalus on October 14, 2009 at [2:05 PM](#)

Tax reform and term limits for the win!!!! Get government and the whores in office out of my life!

search4truth on October 14, 2009 at [2:05 PM](#)

This country was founded on a war based on taxation.

And that is what will bring about the next revolution: taxes.

[ajacksonian](#) on October 14, 2009 at 2:01 PM

Yep.

j\_galt on October 14, 2009 at [2:07 PM](#)

The plan of the Democrats is simple, enslave America with debt so large it can never be repaid. Still slavery, but as Rev Wright would say, those chickens are coming home to roost.

Another Rev Wright favorite: "It is this world, a world where cruise ships throw away more food in a day than most residents of Port-au-Prince see in a year, where white folks' greed runs a world in need, apartheid in one hemisphere, apathy in another hemisphere ... That's the world! On which hope sits."

And Obama sat there for 20 years and didn't know. Sure.

[tarpon](#) on October 14, 2009 at [2:07 PM](#)

Problem is that you'd have to replace the 16th... without it VAT would be unconstitutional...



Romeo13 on October 14, 2009 at 1:58 PM

Really? Art. 1 sec. 8 gives Congress power to collect taxes, duties and excises, provided they are uniform throughout the States. Historically, didn't Congress lay federal taxes on tobacco and wiskey? I thought it was only the income tax that had been held unconstitutional and thus requiring an amendment.

Firefly\_76 on October 14, 2009 at [2:10 PM](#)

We can refund the VAT in the same way Europe does.

DFCtomm on October 14, 2009 at 1:53 PM

If it's a sales tax instead of a VAT, then it's even easier.

When I worked for a state agency back in GA, I was given a number to give to retailers whenever I went out to purchase something for the lab. The retailer put that number into their computer, and no sales tax was applied to my purchase.

MarkTheGreat on October 14, 2009 at [2:10 PM](#)

Ed, your VAT facts are misstated. There is much confusion here. I spent years studying global tax systems.

And, as Mitchell notes, the VAT would have a multiplier effect, as it gets applied at every stage of the distribution chain.

A VAT tax has exactly the same end result as a sales tax. **There is no multiplier effect.** The total tax paid is exactly the same. Credits are given for any VAT tax paid along the way.

Sales taxes are generally tried first (before VAT), because the implementers are idealistic and naive. Citizens inevitably find ways of avoiding paying the sales tax. VAT is paid at every step of this process to stop this problem.

faraway on October 14, 2009 at [2:10 PM](#)

If Dem voters suddenly have to see the government collecting taxes rather than just supplying benefits it may change the political calculus.

dedalus on October 14, 2009 at 2:05 PM

What would stop the Dems from creating a 1,000 bill outlining new credits to offset the unfair proportion of the new VAT that the poor and lessfortunate among us will have to pay? It's not like it's really hard to see how much of our money the government collects in taxes, and so far not too many people have caught on, yet.

j\_galt on October 14, 2009 at [2:11 PM](#)

MrScribbler on October 14, 2009 at 2:03 PM

Yeah.... could you imagine McCain in charge of the Senate as VP? With State APPOINTED Senators? (ie, the actualy represent the STATES interessts?)...

This health bill would be soooo Toast...

Romeo13 on October 14, 2009 at [2:11 PM](#)

So why do they need to impose a VAT if they were going to pay for this fiasco by eliminating Waste and Fraud?

YOU LIE!

BigMike252 on October 14, 2009 at [2:12 PM](#)

Not to mention that it greatly inhibits economic growth. The average annual GDP growth of EU countries over the past 10 years has been an anemic 0.9%.

Norwegian on October 14, 2009 at 1:53 PM

There are many reasons why economic growth in Europe is pathetic. The VAT by itself is not one of them. High taxes in general, burdensome regulations.



Ruinous labor policies.

These have much, much, much more affect.

MarkTheGreat on October 14, 2009 at [2:12 PM](#)

Really? Art. 1 sec. 8 gives Congress power to collect taxes, duties and excises, provided they are uniform throughout the States. Historically, didn't Congress lay federal taxes on tobacco and wiskey? I thought it was only the income tax that had been held unconstitutional and thus requiring an amendment.

Firefly\_76 on October 14, 2009 at 2:10 PM

OOOPpppsss... yer right... my bust... I'm a little slow today (fighting the flu).

Romeo13 on October 14, 2009 at [2:13 PM](#)

The Dems are true Renaissance Traitors.

What's a Renaissance Traitor?

But that was pretty funny. I mean, at the moment, the GOP isn't really the GOP. We need a new truly conservative party before you talk like that.

GOP=Grand Old Parody?

aengus on October 14, 2009 at [2:13 PM](#)

What would stop the Dems from creating a 1,000 bill outlining new credits to offset the unfair proportion of the new VAT that the poor and lessfortunate among us will have to pay? It's not like it's really hard to see how much of our money the government collects in taxes, and so far not too many people have caught on, yet.

j\_galt on October 14, 2009 at 2:11 PM

It seems much more difficult to do than what is currently applied to income. With a VAT the government doesn't know what the end product or end consumer is. It is difficult to target those breaks.

dedalus on October 14, 2009 at [2:15 PM](#)

OOOPpppsss... yer right... my bust... I'm a little slow today (fighting the flu).

Romeo13 on October 14, 2009 at 2:13 PM

You get a mulligen :-) Hope you feel better. About 1/3 of my daughter's school is out with the flu, but the current strain passes quickly I hear.

Firefly\_76 on October 14, 2009 at [2:15 PM](#)

Let's shift at least some of the tax burden onto the 47% of Americans that have no Federal tax liability.

Johnnyreb on October 14, 2009 at 1:58 PM

It won't happen. Everyone (illegals too?) will receive a monthly check to offset a floor level of spending.

faraway on October 14, 2009 at [2:16 PM](#)

er . . . "mulligan" – the irony.

Firefly\_76 on October 14, 2009 at [2:16 PM](#)

Really? Art. 1 sec. 8 gives Congress power to collect taxes, duties and excises, provided they are uniform throughout the States. Historically, didn't Congress lay federal taxes on tobacco and wiskey? I thought it was only the income tax that had been held unconstitutional and thus requiring an amendment.

Firefly\_76 on October 14, 2009 at 2:10 PM

I don't have the section in front of me, but prior to the 16th ammendment, the courts had ruled that taxes that applied to individuals had to be uniform. Thus a head tax was constitutional, but an income tax wasn't.

Now I know that taxes on individual products were widely used (Whiskey Tax Rebellion), so it's possible that a broadbased sales tax would be allowed.

MarkTheGreat on October 14, 2009 at [2:19 PM](#)

The VAT tax makes the shopkeepers the tax collectors... and they don't much like it. Nor do people like paying it, thus they go to the black market to make purchases. Yes people actively avoid paying the VAT in any way possible, thus making the VAT less effective and moving more of the economy underground.

ajacksonian on October 14, 2009 at 2:01 PM

Shopkeepers already collect sales taxes in most US states. Makes no difference to them.

People will go black market to avoid a sales tax. That's why the VAT is the only answer – not the national sales tax proposed by the well intentioned Fair Tax folks. A VAT is paid at every step in the production chain. So, the Feds will get most of the money even if the final step at the retailer is broken.

faraway on October 14, 2009 at [2:19 PM](#)

I don't care for the idea of a national sales tax or VAT. It's so opaque, you don't ever know how much in taxes you actually pay. I like our system of having an annual accounting of what the federal government takes from us.

That said, I also think we should add 2% and 5% tax brackets on the lower-income side because nearly every American should pay at least a minimal amount of income taxes. Every citizen ought to have some skin in the game. And call the EIC what it really is, a transfer payment, not a "refundable tax credit."

alwaysfiredup on October 14, 2009 at [2:23 PM](#)

With regards to the FairTax, I do understand why people think the price of goods will shift dramatically. Instead of taxing the economy at the point of producing income, the economy is taxed at consumption.

If a person takes home \$50K per year, the company is paying about 25% of that, \$12,500 in taxes, on behalf of this person. If the FairTax was in place, the company would save the labor tax portion plus tons of paper work and would be able to lower prices ~25%. Of course, the fairtax brings the price right back up to the pre-fairtax level and you still have the same amount of money to spend.

Correct?

WashJeff on October 14, 2009 at [2:26 PM](#)

faraway on October 14, 2009 at 2:19 PM

Hmmmm... then the vast majority of a VAT would be paid, even if the item remained unsold?

Wow.... any waste, or spoilage, in the system would really make it tough for a retailer.

Romeo13 on October 14, 2009 at [2:27 PM](#)

The Fair Tax is a sales tax, not a VAT. The VAT is applied at each level of production. Sales taxes are only applied when a product is sold to the consumer.

As such, they have different affects on the economy. Additionally, a sales tax is not hidden, a VAT is.

MarkTheGreat on October 14, 2009 at 1:43 PM

VAT taxes are a way of having a sales tax with less of a black market effect. Between that and the way it is hidden from the consumer, government control freaks prefer it.

Count to 10 on October 14, 2009 at [2:33 PM](#)

Hmmmm... then the vast majority of a VAT would be paid, even if the item remained unsold? (1)

Wow.... any waste, or spoilage, in the system would really make it tough for a retailer. (2)

Romeo13 on October 14, 2009 at 2:27 PM

(1) Yes, inventories would contain VAT taxes. But, today they include costs to cover corporate income taxes.

(2) There would be little difference from today.

Today, corporate income taxes are “built in” to the price of goods. So, these taxes would be simply replaced by a VAT tax.

faraway on October 14, 2009 at [2:35 PM](#)

Hmmmm... then the vast majority of a VAT would be paid, even if the item remained unsold?

Wow.... any waste, or spoilage, in the system would really make it tough for a retailer.

Romeo13 on October 14, 2009 at 2:27 PM

Yep.

Socialists hate retailers more than anyone but bankers (and possibly arms merchants).

Count to 10 on October 14, 2009 at [2:36 PM](#)

VAT taxes are a way of having a sales tax with less of a black market effect.(1)

Between that and the way it is hidden from the consumer, government control freaks prefer it.(2)

Count to 10 on October 14, 2009 at 2:33 PM

1) Bingo

2) The Fair Tax folks are recommending to hide the sales tax also. So, no difference there.

faraway on October 14, 2009 at [2:36 PM](#)

Today, corporate income taxes are “built in” to the price of goods. So, these taxes would be simply replaced by a VAT tax.

faraway on October 14, 2009 at 2:35 PM

?

A VAT tax still gets paid when the company is not making money, and thus would be paying no corporate income tax.

Count to 10 on October 14, 2009 at [2:38 PM](#)

It may be somewhat O/T : I have been trying to see if I can come up with some numerical correlation between tax cut and job growth, and all I can find is this : <http://www.faireconomy.org/research/TrickleDown.html>

It strongly leans left, but I did a quick validation of some of the data points from official published data, and they do match up. This does paint tax cuts as having no statistical correlation with job growth. Is there any numerical data (trend) which points to the opposite? I think having such data is necessary for validation of conservative principles.

peter\_griffin on October 14, 2009 at [2:39 PM](#)

VAT taxes are a way of having a sales tax with less of a black market effect.

Between that and the way it is hidden from the consumer, government control freaks prefer it.

Count to 10 on October 14, 2009 at 2:33 PM

I understand why FairTax supporters advertise an inclusive rate, but if this tax every happened, I would like to see the tax applied exclusively. I want that sales tax rate in your face when you buying something so if congress attempting to raise the rate, you will notice.

WashJeff on October 14, 2009 at [2:42 PM](#)

It seems much more difficult to do than what is currently applied to income. With a VAT the government doesn't know what the end product or end consumer is. It is difficult to target those breaks.

dedalus on October 14, 2009 at 2:15 PM

I understand your argument, but I don't think the Left is really interested in targeted, or rather, 'fair' or equal tax breaks. I think their bill would do something like the following:

It won't happen. Everyone (illegals too?) will receive a monthly check to offset a floor level of spending.

faraway on October 14, 2009 at 2:16 PM

The goal is simply to move money. To redistribute. That's the goal. Our current Congress doesn't talk of any kind of tax increase without including some type of 'credit' to help 'offset' the 'unfair' proportion that will be paid by the 'less fortunate.' Of course, this always seems to be overlooked when it comes to tobacco and alcohol.

So, to offset the VAT, Congress will send out a yearly round of \$600 to \$1,500 checks to everyone making under \$250,000. Or maybe \$200,000. Or maybe \$150,000. Or maybe ...

j\_galt on October 14, 2009 at [2:42 PM](#)

- (1) Yes, inventories would contain VAT taxes. But, today they include costs to cover corporate income taxes.
- (2) There would be little difference from today.

Today, corporate income taxes are "built in" to the price of goods. So, these taxes would be simply **replaced** by a VAT tax.

faraway on October 14, 2009 at 2:35 PM

Uh I think you meant that a VAT would be **added** to already existing corporate taxes.

Johnnyreb on October 14, 2009 at [2:44 PM](#)

That's all well and good... but since I earn less than \$250K I won't have to pay it... Obama promised.

[mankai](#) on October 14, 2009 at [2:44 PM](#)

A VAT tax still gets paid when the company is not making money, and thus would be paying no corporate income tax.

Count to 10 on October 14, 2009 at 2:38 PM

Alternative Minimum Taxes and such might effect this.

Plus, I don't think companies price their products hoping they aren't going to make any money. :)

faraway on October 14, 2009 at [2:44 PM](#)

- (2) There would be little difference from today.

Today, corporate income taxes are "built in" to the price of goods. So, these taxes would be simply replaced by a VAT tax.

faraway on October 14, 2009 at 2:35 PM

Hmmm... if a business has a Loss on an item... through spoilage or not being sold, there is no income from it... thus no business income tax paid...

On a VAT, if I get this right, the Tax is paid during production... thus even if the item is never sold, all the VAT taxes would have already been paid...

Seems like this puts a HUGE risk on retailers... as the entire VAT would already be added to their price of acquisition... thus increasing the cost of inventory by 20% or 30%....

Not saying its a bad system... just trying to look at all the unintended consequences...

Romeo13 on October 14, 2009 at [2:46 PM](#)

Uh I think you meant that a VAT would be added to already existing corporate taxes.


Johnnyreb on October 14, 2009 at 2:44 PM

ummm, you are correct under the Dems plan.

faraway on October 14, 2009 at [2:46 PM](#)

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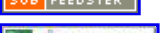



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