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Are you angry enough for a flat tax?
Posted: April 13, 2010, 6:26 PM by NP Editor
[flat tax](#), [Daniel Mitchell](#)

Even Marxism recognizes that saving boosts living standards. Why not our tax code?

By Daniel Mitchell

Every April, we all endure the misery of the tax code. It is hopelessly complicated and nerve-wracking since the taxman has such immense powers to destroy people's lives. It is time to implement a simple and fair flat tax.

The flat tax uses two simple postcards. Families use the household postcard, and all they need to know is their labour income. They then subtract an allowance based on family size. The remaining amount is taxable income, and the tax bill is based on the flat rate.

The business postcard is equally simple. All businesses, from Microsoft to a hot dog stand, start with total revenues, and then calculate taxable income by subtracting wage costs, input costs, and investment costs. The taxman then gets a flat percentage of that remaining amount.

The special interests hate the flat tax because it means no loopholes, no complexity, no shelters and no special preferences. All income is treated equally. Some taxpayers may not like losing various deductions, but treating income equally also means that there is no double taxation, so the capital gains tax is abolished.

Tax reform may seem like an impossible dream, but it can happen.

Most people support tax reform because they want fairness. The current system is riddled with corrupt provisions, and the tax treatment of upper-income households is a good example. Sometimes rich people are hit with punitive tax rates. Many wealthy taxpayers, though, scam the system by using lawyers, lobbyists and accountants. Either way, funds are allocated inefficiently.

With a flat tax, by contrast, there are no special preferences or special penalties based on income. If Bill Gates has 100,000 times as much income as the average taxpayer, he'll pay 100,000 times as much tax. Not more, not less.

Economists like the flat tax since it would increase growth and job creation, while also making the country more competitive. This is because a flat tax means a low tax rate. By replacing high tax rate with a low flat

rate (probably 17%), the flat tax will encourage more productive behaviour. Politicians understand that high tax rates on tobacco reduce smoking, so why don't they realize that high tax rates on work and entrepreneurship discourage growth?

By getting rid of the tax bias against saving and investment, the flat tax will encourage more capital formation. Every economic theory — even Marxism and socialism — acknowledges that saving and investment boost wages and living standards, yet the current system imposes extra taxes on people who set aside some of today's income to finance tomorrow's growth.

A flat tax reduces compliance costs. Dealing with the tax code — measured by the time, energy, money and other resources that we devote to simply trying to figure out the right number to put on our tax returns — is prohibitive. This tax on paying taxes will fall by more than 90% with a flat tax.

All of the mess is the result of a century of social engineering by politicians. Both Republicans and Democrats have been swapping loopholes for campaign cash ever since the income tax was imposed.

Tax reform may seem like an impossible dream, but it can happen. Achieving a flat tax will not be easy. Everyone who benefits from the current system — politicians, accountants, bureaucrats, and lobbyists — will fight to keep the tax bureaucracy. But if we get angry enough, anything is possible.

Financial Post

Daniel Mitchell is a senior fellow at the Cato Institute in Washington.

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- | | |
|-------------------------------------|--|
| by Kifaru
Apr 13 2010
6:29 PM | I'm all in favour of a flat tax: zero percent. |
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- | | |
|--|---|
| by IainGFoulds
Apr 13 2010
6:44 PM | ... A flat tax is the only truly fair tax.

... The "angry" aspect of this article makes no sense.

... Anything less than a flat tax is based upon socialist philosophy- that the state must forcibly redistribute earnings.

... A flat tax is simple, clear, objective and fair. |
|--|---|
- | | |
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| by NEeyore
Apr 13 2010
6:49 PM | Well yeah, but no, but...

Flat tax with only the simplest exemptions:

Untaxed = \$8000/yr

Dependents = \$2000/yr

Sales tax needs to stay too! That way drug dealers, prostitutes, and gangsters pay as well... as if THEY'RE going to file accurate income tax statements. |
|--------------------------------------|--|
- | | |
|--|---|
| by IainGFoulds
Apr 13 2010
6:52 PM | ... Kifaru: We are clearly on the same page.

... However, I am not against an income tax as the sole tax. I do not see why business owners should be involved in collecting taxes. |
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Editor: Kelly McParland (e-mail)

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BIDDING BEGINS APRIL 17

nationalpost.com
FULL COMMENT

March 26, 2010 — American right-wing pundit/comedienne Ann Coulter went to London, Ont., Ottawa and Calgary this week and made a lot of people very, very angry. *Post* columnists Kevin Libin — who took in her Calgary appearance — and Marni Soupcoff join host Chris Selley to discuss what the fracas says about free speech in Canada and on Canadian university campuses.