

William Truman (Bill) Wayne for State Senate

Position Paper

Taxes

I, like many of people, have an intense dislike for our system of taxation. The Libertarian platform regards all taxation as a form of government-sanctioned theft, and advocates funding the government through user fees and contributions. However, I recognize that we are unlikely to eliminate all forms of taxation in the near future. Since that is the case, the immediate question is how to reduce the adverse impact on both individuals and the economy.

User fees are the least intrusive and most voluntary means of funding government activities. These include direct fees for specific services, such as airlines pay for the Air traffic Control system, toll roads & bridges, and the fees paid for recording deeds, etc. They cover only a small part of the cost of government.

While all forms of taxation are pernicious, income-based taxation is the worst. It carries a tremendous compliance cost for both individuals and businesses, requiring armies of accountants and tax preparers to navigate the arcane rules – and we still hold our breath when we file. Businesses, especially, make economic decisions based on the tax implications, decisions that often include relocating production and headquarters to more tax-friendly countries. This costs jobs. It is also the most expensive tax for government to administer, and it opens the door to corruption through the exchange of favors or 'campaign contributions' in exchange for favorable tax treatment.

Property taxes are next most damaging because they are based on an unrealized value, rather than the value of the property at the time it was purchased. This is exacerbated when the increase in assessed value is based on inflated money. Real property tax is the equivalent to renting your property from the government. It also bears heavily on retirees and the elderly who may be living on significantly reduced income. Since this is generally a locally-based tax, a small number of citizens, a majority of those voting in a low turnout election, can impose the tax on everyone. The government also bears a direct cost to administer property tax.

Consumption based taxes, most notably a retail sales tax, are the easiest to administer and the least intrusive upon the taxpayer's privacy. The major criticism of sales taxes is that they are "regressive," i.e., they bear more heavily on lower income people. A retail sales tax would place some extra burden on merchants, but it would be much smaller than that imposed by other systems. The current proposal, which I favor as the best step toward restoring privacy, downsizing government, and reducing compliance costs is the FAIR TAX. It in essence makes paying taxes somewhat voluntary, since it would be applied only to retail sales of new goods; it exempts services and most sales of used goods. It also does away with the individual record keeping (& the IRS which requires it), as well as payroll taxes and tax withholding. To address the regressive nature of retail sales tax, it provides a "pre-bate" based on the amount of taxes each family would pay on necessities based on family size. It would also stimulate economic growth by eliminating corporate income tax, thereby encouraging repatriation and reinvestment of the billions of dollars American companies hold in overseas subsidiaries.

The FAIR TAX is not a state issue; however, we should do all we can to promote its passage in D.C.