

Ending 100 Years of Income Taxes

Written by Capt Bob
Wednesday, 24 July 2013 22:02

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The Federal Income Tax is “penny-wise and pound foolish”, producing relatively limited revenues at the expense of greater tax revenues, greater prosperity and greater ability to compete successfully with other nations.

Every attempt at true tax reform and an effective tax swap eliminating the Federal Income Tax and replacing it with offsetting sales tax revenues is met with a chorus of special interests opposition against any changes. It almost as if there is a coalition to keep America poor, or at least to keep the poor people of America poor to justify the Federal Income tax (that keeps more people poor). This amplifies the argument of income tax advocates that the rich must pay more taxes because there are so many poor people who need help. However, middle class taxpayers are hurt more by the income tax than the rich, and poor people suffer from the Federal Income Tax even if they do not owe any Federal Income Taxes.

Taxes are withheld from their paychecks (money they need immediately), and much later they must file a Federal Income Tax Return and wait a long time to get their money back. Moreover, everyone, rich and poor (whether they are working or not), incurs the cost of the Federal Income Tax. We are all paying a hidden federal Income Tax in addition to our own taxes. The costs of other people’s federal income taxes are included in the costs of goods and services through the withholding tax. Businesses must withhold federal income taxes for all employees and include this expense in their cost of doing business. Businesses must have this money “up front” and include it when establishing prices for their goods and services.

So the poor pay as much or more for federal income taxes than anyone else through this hidden tax that is truly “regressive”. Then, if the poor manage to prosper by overcoming all odds, they are met with a regressive Federal Income Tax that increasingly makes them pay more taxes as they earn more, pushing them backwards on their path to prosperity. Income taxes for the past 100 years since 1913 have made it much more difficult to move up out of poverty to become really successful. 100 years of self-inflicted economic wounds resulting from the income tax are much more than enough for us to realize that it is time to stop hurting ourselves and repeal the income tax.

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When elimination of the Federal Income Tax is debated, opponents of change say, "Show us the offsetting revenue that will replace the Federal Income tax". Of course this is impossible because the revenue does not exist yet and will not exist until the tax swap occurs, replacing the Federal Income Tax with a national sales tax. Without the Federal Income Tax, every cent of the national sales tax rates will produce more revenue than initially estimated because there will be a surge in spending if people, especially poor people, have more money in their pockets to spend. The full extent of this increase in spending and the resulting increase in national sales tax revenues will not be known precisely until the change is implemented and given time to work. Opponents of change chant, "Show us the money now; show us the money now", but they block the change that would produce the additional money for them to see and allow America to compete other nations that have lower taxes and no income tax.

Getting rid of the Federal Income Tax is a huge pro-growth formula for all businesses, especially small businesses. The small business sector of the economy creates about two-thirds of all jobs nationwide (about 70 percent before the recession). Our federal income taxes that we compulsively cling to along with our other excessive regulatory burdens suppress the private sector of the economy. This keeps people from spending more money and increases the cost of doing business in America compared to some other nations.

America needs more taxpayers, not higher taxes. When poor people have jobs resulting from economic growth and lower taxes, they can buy a car and not worry about "how long before the next bus comes; how close to my destination will the bus go; and will it rain on me or be too cold or too hot for me while I wait?".

For the faint of heart who cannot see the clear path to prosperity and compulsively cling to our existing taxes without change, there is an almost painless transition plan where they can see how it works and watch the results occur before going on to the next stage of income tax elimination.

This plan is "**Pennies for Prosperity**" to prime the progress pump. Adopt a national sales tax rate of *pennies* but keep this additional revenue separate and totally outside of the nation's general budget. Use 60 percent of this money to eliminate as much of the lower tax brackets as possible, moving from the bottom up. Use 40 percent of this money to lower the tax rates equally for all of the remaining brackets. This will have a stimulating effect on the economy. The nation will experience an increase in tax revenues without increasing tax rates allowing additional income tax brackets to be eliminated until

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To speed up the process, increase the national sales tax to eliminate the Federal Income Tax faster. Then America can take full advantage of its superior location and resources.

The national sales tax can be managed much more efficiently and effectively than federal income taxes, allowing the Internal Revenue Service to be abolished because the states can collect the federal portion of sales taxes for the national government. The Internal Revenue Service can be replaced by the Interstate Revenue Service that would deal with the states' revenue departments and not with individuals or businesses. This state and federal cooperation would eliminate direct federal collections. The Interstate Revenue Service would audit states' departments of revenue if necessary and not individuals or businesses.

Sales tax holidays could be declared for specific days if more economic stimulus is needed or if more temporary relief is needed from taxation. Temporary sales tax exemptions could also be declared for certain items if these are needed, for example, for disaster relief or public health needs. The effective management of the sales tax can help the truly needy much more than tinkering with the Federal Income Tax, and those who are successful in their work can be rewarded with the fruits of their own labors, at the same time creating more jobs for others. Prosperity likewise creates overflow work that benefits self-employed individuals.

Pennies for Prosperity is a **Win, Win, Win, Win** plan.

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