



Written by [Ron Paul](#) on February 6, 2023

(Sales) Taxation Is Theft

A group of House Republicans is supporting legislation that would replace federal income, payroll, estate, and gift taxes with a 30 percent national sales tax. The bill also eliminates the Internal Revenue Service, giving states the responsibility to collect the sales tax and send the revenue to DC.

This deputizing of states to act as federal tax collectors violates the principles of federalism, especially since the plan forces states that have chosen not to make their residents pay sales taxes create a mechanism for collecting sales tax.



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A 30 percent sales tax on all goods with no exceptions and no deductions will increase taxes imposed on millions of Americans. The sales tax legislation provides a way Americans can receive a monthly “prebate” payment to help offset the cost of the sales tax. Still, many taxpayers would be paying more under the new national sales tax system.

If the sales tax becomes law, Congress may never have to increase the rate above 30 percent. This is because it can rely on the Federal Reserve to increase the sales taxes via inflation. Consequently, this inflation tax will increase the pain inflicted by the sales tax on the American people.

The imposition of a national sales tax will lead to a flourishing black market for many goods. This will cause the government to increase surveillance of our purchases. It could also lead to government bureaucrats keeping lists of our purchases. This information could be abused by government officials to embarrass and punish political enemies. The surveillance could track whether an individual is complying with government dietary recommendations or is consuming “extremist” content. The need to ensure compliance with the tax laws may also be used to justify replacing cash with government issued and managed digital currency.

The proposed national sales tax rate is set at a high level because the bill’s sponsors did not want to reduce the federal government’s revenue. A big problem with tax reform occurs when it fails to include reductions in federal spending.

Unfortunately, even some libertarians get sucked into the DC game of ignoring the need to tie tax reform to reducing government spending. Instead, they focus on making the tax code more efficient. Even worse is if they make the supply-side argument that certain taxes should be cut to increase government revenue. Libertarians should view increasing government revenue as an unfortunate consequence of otherwise sound tax policy. They should advocate for tax cuts that are far beyond the point where tax cuts increase government revenue.

Some people support sales taxes because sales taxes discourage consumption and encourage savings and investment. While savings and investment are crucial to a free market, government policies should, to the greatest extent possible, be neutral between savings and consumption. Policies favoring savings distort the market just as do policies that encourage consumption.



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Supporters of the free market who pursue various tax reform schemes without also working to cut spending are putting the cart before the horse. The American people will not be free from tax tyranny until government is returned to its constitutional limitations. This will not occur until enough people reject the welfare-warfare state and embrace the moral, as well as the practical, case for peace and liberty.

Ron Paul is a former U.S. congressman from Texas. This [article](#) originally appeared at the Ron Paul Institute for Peace and Prosperity and is reprinted here with permission.



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