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Correction Please!

It's Past Time to Stop Overtaxing Our Patience and Our Future

Item: *When President Donald Trump announced that his administration was going to follow through with attempts to make major tax reductions, the left-wing opposition emerged even before any details were known — to include the inevitable charges that such actions would be "tax cuts for the rich" who are not paying their "fair share" and represent more "corporate welfare"*

For example, the New York Times *on April 22, in its front-page coverage, bemoaned that "some skeptics were left questioning whether Mr. Trump was keeping his campaign promises to give working-class Americans a higher priority than Wall Street bankers."*

The Times*, again not surprisingly, found the usual suspects to echo the skepticism, such as Ohio Democrat Senator Sherrod Brown — who is apparently unconcerned that there are multinational corporations with little incentive to repatriate trillions of dollars of foreign earnings that could assist the U.S. economy.*

Brown, said the Times*, "assailed Mr. Trump for trying to undermine rules that were put in place to protect the economy." The paper quoted him saying: "We should be working to lower taxes for hardworking families and workers across Ohio, not helping multimillion-dollar corporations cheat the system to avoid paying their fair share."*

Item: *Other reasons had already been aired against tax reductions. The* New York Post *on April 11, for instance, declared: "The Senate's top Democrat said President Trump's refusal to release his tax returns is going to make this year's promised overhaul of the tax code 'much harder.' Sen. Chuck Schumer (D-N.Y.) says Trump is opening himself to second guessing about his motives for supporting different policies and that the average American will think he's making changes because 'it's good for him.'"*

Item: *Similar opposition talking points were also in action in the New York Times on April 8. The establishment echo chamber — that is, the newspaper — reported: "Representative Hakeem Jeffries, a New York Democrat, said this week that tax code changes should be delayed until members of Congress can review Mr. Trump's tax returns to see how an overhaul of the tax code might benefit him. And last week Terri A. Sewell, an Alabama Democrat on the Ways and Means Committee, declared at a hearing that it was 'imperative to know how such tax reform affects the president.'"*

Item: *The* Huffington Post *also had a major cautionary piece on tax-cutting, and found many to parrot its concerns, such as Harry Stein, director of fiscal policy at the "liberal" Center for American Progress. An article on August 17, citing Stein, said: "Democrats need to pay attention and sweat the details of anything Trump and congressional Republicans offer as they unroll their tax-reform plans in the coming weeks. 'If you like the tax system being progressive, we need to make sure that we're not doing anything to give rich people and corporations more ways of not paying taxes,' Stein said."*

Correction: *With such protectors of the "little guy," it's no wonder that everything under the sun is taxed, especially our patience.*

As it is, the feds are shaking us down for about $3.5 trillion this year, and that does not cover what our supposed representatives are paying out — adding to our rapidly rising debt payments that are projected to be larger than defense expenditures in a mere decade.

Accordingly, we have made a pledge: We will never again complain about “cheap politicians.”

Yet, there was a time, shortly before the passage of the 16th Amendment, when Uncle Sam lived within his income — and without most of yours — and without imposing the highest corporate tax in the industrialized world, which is the case today.

For some perspective, and at the risk of eliciting tears, this is how you give birth to a monster. Mark Perry, writing for the Foundation for Economic Education, recently recalled that individual “federal income tax rates started at 1% in 1913, and the maximum marginal income tax rate was only 7% on incomes above $500,000 (more than $12 million in today’s dollars).”

As noted by Perry, a scholar at the American Enterprise Institute and a professor of economics and finance at the University of Michigan’s Flint campus, the personal exemption in 1913 “was $3,000 for individuals ($72,850 in today’s dollars) and $4,000 for married couples ($97,000 in today’s dollars), meaning that very few Americans had to pay federal income tax since the average income in 1913 was only about $750.”

Needless to say, things have changed, and not for the better, when it comes to the pickpocketing. The Tax Foundation, which makes such calculations annually, put this year’s “Tax Freedom Day” at April 23. This represents the date when those in the United States collectively have earned enough money to pay the year’s total tax bill. In essence, you worked the first 113 days this year for various tax collectors at the federal, state, and local levels. The figure includes individual taxes as well as payroll, sales and excise, corporate, and property taxes.

Depending on your locale, the “freedom” day might have been earlier because your local purloiners were not quite as grasping. In Mississippi, the average burden is lowest; as a result, you could celebrate on April 5. In Connecticut — on the other end of the larceny spectrum — your Tax Freedom Day doesn’t come until May 21 this year.

As the foundation reported, during 2017, Americans are going to pay $3.5 trillion in federal taxes and $1.6 trillion in state and local taxes, for a total bill of more than $5.1 trillion, or 31 percent of the nation’s income. Collectively, we will spend more on taxes than on food, clothing, and housing combined. And were we to include in the calculations federal annual borrowing — representing future taxes owed — Tax Freedom Day would not take place until another two weeks later, on May 7.

As bad as it is, we have had it worse. In 2000, at the end of the Clinton administration, Tax Freedom Day occurred on May 1. Over that year, according to the Tax Foundation’s figures, Americans paid 33 percent of their total income in taxes. Compare that to 1900: During that year, your countrymen paid 5.9 percent of their income in taxes, putting “Tax Freedom Day” at January 22. Before World War I, shortly after the income-tax amendment to the Constitution, that notional freedom day was still in late January.

How tax reform might be enacted is still being determined as we write, with legitimate arguments for taking just the business side first or including the lowering of individual rates and other aspects of the tax code. One thing that is not likely to change is the opposition of Senate Minority Leader Charles Schumer — who is very generous, with our money — though his excuses against cuts may alter.

Punitive tax policies make life harder for working Americans, cutting into their ability to support families and educate children as well as to save, invest, and plan for the future. And when exorbitant amounts are going to Uncle Sam and the various statehouses, they are not going into job creation. Businesses don't have the profits they needed to invest; accordingly, they make decisions differently than they would otherwise. Growth is hampered. Entrepreneurs are less willing to innovate.

A recent op-ed, written by former economic advisors to candidate Trump, pushed for tackling business taxes first. Several key points follow, as offered by Steve Forbes, Larry Kudlow, Arthur Laffer, and Stephen Moore (published in the *New York Times* April 19, in a piece entitled "Why Are Republicans Making Tax Reform So Hard?"). They pointed out that the Trump White House and the Treasury already had a tax plan available "that we were involved with last year." Here are the "three most important planks," in their view:

First, cut the federal corporate and small-business highest tax rate to 15 percent from 35 percent, which is now one of the highest corporate tax rates in the world.

Second, allow businesses to immediately deduct the full cost of their capital purchases. Full expensing of new factories, equipment and machinery will jump-start business investment, which since 2000 has grown at only one-third the rate recorded from 1950 to 2000.

Third, impose a low tax on the repatriation of foreign profits brought back to the United States. This could attract more than $2 trillion to these shores, raising billions for the Treasury while creating new jobs and adding to the United States' gross domestic product.

Taxes on individuals certainly deserve reform as well, though the timing on when that might be addressed is now being debated in Washington. The "fairness," or lack thereof, of the code for individuals was at the heart of the Huffington Post piece cited above, which was written by that publication's White House correspondent S.V. Date.

In so doing, Date employed data that actually gave ammunition for his opponents. The incongruity was picked up by John Merline of *Investor's Business Daily*, who observed:

"The tax code," Date writes, "already leans heavily on the country's wealthy." He cites data from a 2016 Congressional Budget Office report, which finds that the infamous Top 1% — you know, the folks who don't pay their "fair share" — actually pay 25% of all federal taxes.

The top 20%, Date goes on, pay 69% of all federal taxes. The middle 20? They pick up just 9% of the tax bill.

What's more, Date notes that the average federal tax rate has dropped significantly for every group over the past 30 years — *except the wealthy.*

The most recent IRS statistics demonstrate this skewing as well, and do so dramatically — pointing to the fact that virtually all federal income taxes (97.3 percent) are paid by the top 50 percent; more than two-thirds of income taxes are paid for by the top 10 percent in income; and almost 40 percent of taxes are paid by the top one percent of taxpayers.

Merline uses CBO statistics. For example, when focusing on income taxes alone, he says in *Investor's Business Daily*,

It turns out that the Top 1% paid 38.3% of all federal income taxes, which is nearly double their share of 19.6% in 1983. The top 20% paid 88% of federal income taxes in 2013, the CBO data show.

The bottom 40%, meanwhile, pay a negative income tax — meaning they get more back in tax credits than they pay in income taxes. For the bottom 20%, their average income tax rate in 2013 was -7.2%, according to the CBO.

When confronted with such numbers, some on the left will argue that the rich make most of the money, so it's not surprising that they pay most of the taxes. Except that the share of taxes paid by the top 1% is vastly larger than their share of income — which was 15% in 2013.

This is a neat trick pulled off by the so-called progressives. First, they've managed to skew the tax code to the point where a tiny fraction of the country pays the vast bulk of the tax bill, while more than 40% pay nothing. Then, whenever Republicans talk about tax cuts, Democrats scream that all the benefits go to the rich.

The complexity, unfairness, and high burdens of the codes apply to both business and individual taxation in this country. Both sides need fixing, whether sequentially or collectively being a political decision.

One thing is certain: Regardless of the route taken toward tax reform, the big-spending Democrats who were so enthused over high marginal taxation rates under Barack Obama — policies that doubled the federal debt and quadrupled the public and private debt held by the Federal Reserve — will somehow become budget "hawks." At least that will be their appearance even if limited short-term deficits would turn into long-term dividends for the economy.

On one hand is a future where workers get to keep more of what they earn and businesses flourish. On the other hand is the current path — where trillions in taxes aren't enough for the wealth distributors, and government debt balloons. According to CBO figures, Uncle Sam is currently poaching around $20,000 every year from the average household. Yet, even with all that thieving, the feds ran a $587 billion deficit for 2016.

We're handing these bills to our kids and paying huge interest totals to boot. As those deficits accumulate, as a recent CBO report observed, debt held by the public is projected to jump to 89 percent of the gross domestic product ($25 trillion) by 2027. "At that level, debt held by the public would be the largest since 1947 and more than twice the average over the past five decades in relation to GDP," notes the report.

Sure, we could fix the broken tax code and make it simpler, flatter, and fairer — one that promotes growth, elimination of the income tax altogether being the ultimate goal. But who needs prosperity? Fools can see that the more important thing is for Chuck Schumer to get a peek at Donald Trump's returns.

— William P. Hoar