

EAF 25 Abolish income tax withholding

To Fred Barnes, Executive Editor, *The Weekly Standard*

You have a long-time fan. Particularly enjoyed your 9/29 piece on GOP Boldness: “Abolish the IRS as we know it”. My suggested first step:

### **Abolish income tax withholding.**

My analysis is founded upon Ronald Reagan (A Time for Choosing 1964): “up to individual freedom or down to totalitarianism”. Specifically, for this first step toward your goal of abolishing the IRS, educate individual taxpayers explicitly to their federal income tax burden. Just as each individual receives and writes a check for the monthly credit card, utility, etc. bill, he or she should get a tax invoice to be paid monthly.

Milton Friedman is a great economist, arguably the best of the 20<sup>th</sup> century. But in his youth, he made the mistake of proposing income tax withholding. As a result, most taxpayers do not know what they owe (they are essentially lending money to the government for up to 15.5 months). Worse, when they get a tax refund, they regard it as a windfall!

Placing the monthly tax payment openly on the bills to be paid stack requires each individual taxpayer to weigh that bill against the household budget. My analysis is that knowing how much tax is owed each month would motivate that individual to consider carefully how much the government is spending. My expected result: widespread vociferous calls for income tax cuts.

Broadening my analysis re taxes: next, lower the corporate tax rate at least to the developed world’s 25% average. Then, recognize that corporations do not pay those taxes: revenue – costs = the bottom line shows that customers and/or employees and/or owners ultimately pay; thus that income is taxed twice. The correct corporate tax rate: zero. Most broadly, the 16<sup>th</sup> Amendment is counterintuitive—the more something is taxed, the less is gotten. So why tax

income (production) rather than consumption? Let's have a methodologically sound Value Added Tax instead (N.B.: instead of, not in addition to) income tax.

Finally, this income tax analysis is but one example of the usefulness of Reagan's Choice—up to individual freedom or down to totalitarianism. I challenge any news consumer: on a given day to notice how many public policies hold down individuals and/or promote government power. Use Reagan's Choice to begin analyzing that policy, politician's speech or government agency action: IRS on conservatives, DOJ on banks, EPA on fossil fuels, and on and on. The latest: FDA on individual hackers developing new tools to monitor chronic health conditions (*WSJ* 9/27-8/14).

I do hope that these thoughts strike a responsive chord. Please do contact me, or visit my website.

