

## EAF 27 - Abolish income tax withholding

Peggy Noonan *Republicans Need a New Direction* (9/27-8/14) closes:

“Republicans need to say what they’re for. They need to make it new and true—not something defensive but something equal to the moment”. My suggestion for that new direction: Charge the 114<sup>th</sup> Congress to proactively subtract public policies that retard economic growth.

The GOP should use the *abolish income tax withholding* attention-getter as the headline in a campaign to elect Congressional and Senate candidates who pledge to be active—vigorous, clear, focused action to repeal, replace, streamline-- current law and regulations that impede economic growth. Liberal politicians and media measure Congress in terms of number of new laws passed and regulations required. Congress should focus instead on the number subtracted, not added.

My analysis is founded upon Ronald Reagan (*A Time for Choosing* 1964): “up to individual freedom or down to totalitarianism”. Specifically, 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 government spending costs that individual. 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, demonstrates 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 of (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, notice how many public policies hold down individual initiative, retard economic growth and/or promote government power. Use Reagan's Choice to begin analyzing that policy, politician's speech or government agency action: IRS targets conservatives, DOJ extorts banks, EPA threatens fossil fuels, and on and on. The latest: FDA versus individual hackers developing new tools to monitor chronic health conditions.

Here is my suggested procedure: First, is this law or regulation useful, feasible, growth oriented? If not (see for example Senator Coburn's annual list; boy will conservatives miss him), work to prevent or remove this one.

Second, if Congress is going forward with this one, can the private sector do it better? The best American government actions began with public goal-setting, then partnering with private enterprise: FDR WWII arsenal of democracy, DDE interstate highway system; JFK moon landing; RWR defeat of USSR. And we all know how inefficient government is, even when the goal is worthy, e.g., FAA's latest boondoggle: redesign of the air traffic control system with no attention to drone flights.

Third, consider negative consequences that might result: estimate knowns with sound probability calculations; comprehensively and openly identify possible negative consequences (unknowns) which cannot be probabilistically estimated.

Reagan's Choice provides a comprehensive starting point for analyzing such a campaign. Please do contact me or visit my website if these ideas pique your interest.

