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—Allen H. Neuharth
Founder
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Abolish income tax; we'd all benefit

By David Miscavige
Guest columnist

LOS ANGELES — When the 16th Amendment passed, permitting an income tax, voters were promised this new tax would be fairly administered. They were assured it would represent no threat to our liberties. And they were promised it would be temporary.

They were also warned. On the floor of the House, Samuel Walker McCall of Massachusetts said the income tax is not "primarily to raise money for the state but to regulate the citizen. The individual citizen will be called on to lay bare the innermost recesses of his soul."

Imagine life without the IRS — a functioning system of taxation that would provide government all the money it needs without subjecting citizens to the harassment, abuse and unbelievable expense of maintaining the IRS. The answer is a national value-added tax adequate to replace the individual and corporate income taxes. Then we can say goodbye forever to the horrors of April 15.

A value-added tax is a sales tax imposed at all levels of production from manufacturer to wholesaler to retailer. It raises about \$31 billion for each 1% of tax. A VAT of 16% would thus replace the \$489 billion raised by personal income taxes; an additional 3% would cover the \$102 billion corporate income tax collections.

What would we get for that 19%? For starters, we'd



David Miscavige is chairman, Religious Technology Center.

recover the \$5 billion it takes to run the IRS each year. We'd save the 5.3 billion hours it took to fill out tax returns. We'd cut tax avoidance to virtually zero. The ripple effects are almost incalculable. One is the potential for redirecting the energies of the tens of thousands of lawyers and accountants who now spend untold sums of our money protecting us from the IRS.

All tax exemptions would be done away with, and all the administrative complexities — no more

concern about deductions, dependents, tax shelters, depreciation, business expenses, and the like. This also would cease the IRS' opprobrious meddling in the affairs of churches and not-for-profit institutions.

So that the poor would not suffer hardship, food, medicine and housing could be exempted or a credit or reimbursement provided. Make up the revenue by charging a slightly higher rate for goods requiring extensive regulation or that are hazardous to one's health.

Meantime, that "withholding" box on our pay stubs can become zero — to all of our economic benefit.

A value-added tax is markedly superior to the present hodgepodge. And it frees the USA from the IRS.

FACE-OFF: PAYING TAXES

Keep income tax; alternative is worse

By Robert Gillmore
Guest columnist

GOFFSTOWN, N.H. — A 19% value-added tax will "cut tax avoidance to virtually zero"? No way.

If a doctor has to pay a \$13,000 value-added tax when he buys his \$70,000 Porsche, he may offer the Porsche dealer — and his family or employees — a few years of "free" medical services in exchange for a lower sales price on the car, thereby avoiding not only income taxes but a few thousand dollars in VAT, too.

A 19% VAT would replace an "unfair" income tax? Wrong again. If an accountant makes \$200,000 a year and buys a \$100,000 house, he'll pay \$19,000, or just 9.5% of his income, in VAT. But if his secretary makes \$25,000 a year and buys the same house, she'll pay 76% of her income in VAT.

A 19% VAT, in other words, is hardly fair. In fact, it's an especially nasty version of a regressive tax. With a regressive tax, the less you make, the higher the percentage of your income the tax consumes. It's the opposite of a progressive tax, in which the less you make the lower the percentage of your income the tax consumes.

Unlike a progressive tax, a regressive tax is based on the inability to pay. Sure, exemptions and reimbursements could make a VAT less regressive for many people. But what about the high-income earner who spends



Robert Gillmore is an author and former political science professor.

his money on things that aren't taxed — like household help — instead of things that are? What about people who don't spend much of their income at all?

If you believe taxation should be based on ability to pay, you can't tax what people buy. You have to tax what they have. One way to do that is with stiffer inheritance taxes. Another way is a wealth tax like that proposed by Arthur L. Carter, publisher of *The Nation*. Still another is a more progressive version

of what we have now: the personal income tax.

The writer opposite is right, though, about replacing the corporation tax. Its best friends, liberals, should finally realize what an unprogressive tax it is. Most of it isn't paid by the rich. It's paid by everybody — through higher consumer prices, lower pension fund income and lower stock dividends to non-affluent shareholders.

David Miscavige's biggest beef seems to be with the Internal Revenue Service. But the way the IRS operates can be changed by a single act of Congress. We don't have to throw out the best part of our tax system to tame the tax collectors. Or does he really want to burn down the whole house to roast a single pig?