

THE DILEMMA OF TAXATION

Insulation or Immersion?

by Vic Berecz

You've all heard my mantra ... we all need the protections and services of our community ... nothing is free, those protections and services have a cost ... our taxes reimburse those costs to the geo-political communities in which we choose to live ... so, it makes sense that we should all pay taxes willingly. Most federal taxation in the U.S. is in the form of income tax. Yet, today over 40% of the American population pay no income tax. As Scott Hodge of the *Tax Foundation* notes, "We're now in a situation where a record number of tax filers are completely disconnected from the cost of government." As with most political statements, that quote is a clever mix of truth and exaggeration. But, our taxation system does tend to insulate most citizens from the realities of the cost of government, and most tax reform proposals (specifically the *Value-Added Tax*, the *Flat Tax*, and the *Fair Tax*) all would increase that insulation in the name of simplification. Unfortunately, that insulation means too many Americans have no vested interest in limiting the cost of Government. Yet, our societal hatred of taxation rejects deeper personal immersion into the quagmire of tax policy. So, how can we reach a happy medium?

Let's first ask, "Do we humans have a built-in bias against taxation?" Generation after generation of tax haters seem to indicate YES. It goes back a long way. Remember the *Gospel of Matthew*? Jesus of Nazareth was criticized for eating "with tax collectors and other sinners." I suspect this hatred is two-pronged. First, one of mankind's greatest motivators (unfortunately) is greed. Paying taxes is a direct slap-in-the-face to our intrinsic greediness. The second part is the mechanisms by which taxes were collected historically. Tax farming ... the contracting out of tax collection by a ruler to agents who kept any excess income they could weasel, cheat, or coerce out of the common people ... over millennia gave all tax collectors (including Matthew himself) a bad name. Today, the IRS is saddled with that bad name, though today's tax collection mechanisms are totally different.

If each of us knew how much taxes we paid directly or indirectly ... income taxes, payroll taxes, sales taxes, property taxes, corporate taxes, tariffs, etc. ... we'd probably be appalled. On the other hand, if we all knew how little of our tax money goes for the things any of us might call "frivolous" we'd begin to understand the dilemma. In fact, our system hides the truth of how much we pay and what it's spent on. If we are to believe the old maxim "the truth shall make you free" then freedom-loving Americans would welcome immersion in the tax quagmire, despite the fact that they're likely to get a bit dirty in the process.

Forget the ancient hatred of anything relating to taxation. Stop ranting about *no new taxes* and *we can't afford any more taxes*. Immerse yourself in the tax quagmire. Take a greater interest in our government and help elect "representatives" who truly represent your views. To get immersed, we need to each ask and answer the big questions: Do we want to be the world's policeman? Is every American citizen deserving of adequate food, shelter, healthcare and education? Must we maintain a level playing field for American businesses and citizens? Will we honor our financial obligations? What kind of limitations do we want to impose on personal and business conduct? Do we feel special obligations to our veterans, disabled persons, the elderly? Those kind of questions are tough to answer, but we must answer them as a nation before we can get ourselves out of the bind we're in.

I've been very fortunate during most of my life that I've been able to afford pretty much everything I wanted and needed. But, this rare condition was not only due to hard work and living in America. It was largely facilitated by the fact that I really didn't need all that much to make me happy. Yet, for my 70+ years, I've had what many would call a *good life*. By analogy, the key is not how much taxes we can afford, the real bottom-line is: what kind of society do we want to live in? We can always manage to afford what we really need!