

A BETTER INCOME TAX?

Most of us would agree that the best income tax is none at all, but wishing won't make it go away. In fact, in its relatively short history of constitutionality, the income tax has become not only the single biggest revenue source of the federal government by far, but pervasive at state and local levels as well. Beyond its revenue appetite, the income tax has, perhaps more than any direct measure of social policy, fashioned the socio-economic structure of the nation. The tax exemption, full or partial, of favored expenditures, such as interest, medical and charitable deductions, has created whole new sectors of economic activity that add nothing to production. The recent spate of leasing "tax credits" is only a sophisticated wrinkle in the fabric of privilege woven by the Internal Revenue Code over the years.

It is in light of these, the growing underground economy and similar avenues, licit or otherwise to avoid or evade payments, that the proposal for a "flat" income tax is receiving serious consideration. While there are several versions afloat, all of them would greatly simplify the income tax by eliminating most of the deductions and exemptions, lower or remove the progressively higher rates and narrow the range at a lower level generally. The idea is to collect more from more people who would presumably find it easier to pay. That dubious presumption aside, the current effort may yet contribute some useful reform of this most onerous of all our tax burdens.

If among the loopholes and privileges eliminated are included the extraordinary tax benefits in the acquisition and holding of land and other natural resources, there would be some gain for the general public. If the shelter business could be induced to provide shelter rather than tax shelter, if producing energy were more profitable than gobbling up oil, coal and other resources, if income from labor were treated at least no worse than wealth in land and natural resources, it would be welcome news. There is as yet little to indicate that these bastions of privilege will yield to tax simplification. This is an arena in which we should be heard.

An income tax that treats all income alike with no exception is better than the one we have with its disincentives for earnings, production, and useful development. But it is still not the tax we need or want. By limiting it at the federal level, we may begin cutting back its influence at the state and local level as well. Perhaps more taxpayers would begin to understand that ability to pay need not be based on income from earnings but all sources of wealth as well.

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