

Pennies for Prosperity

Written by Capt Bob

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The Louisiana State Income Tax is penny-wise and pound foolish, producing relatively limited revenues at the expense of greater tax revenues, greater prosperity and greater ability to compete successfully with other states. Every attempt at true tax reform and an effective tax swap eliminating the state income tax and replacing it with offsetting sales tax revenues is met with a chorus of special interests opposition against any changes. It almost as if there is a coalition to keep Louisiana poor, or at least to keep the poor people of Louisiana poor to justify the state income tax (that keeps more people poor). This amplifies the argument of income tax advocates that the rich must pay more taxes because there are so many poor people who need help. However, middle class taxpayers are hurt more by the income tax than the rich, and poor people suffer from the state income tax even if they do not owe any state income taxes. Taxes are withheld from their paychecks (money they need immediately), and much later they must file a state income tax return and wait a long time to get their money back. Moreover, everyone, rich and poor (whether they are working or not), incurs the cost of the state income tax. We are all paying a hidden state income tax in addition to our own taxes. The costs of other people's state income taxes are included in the costs of goods and services through the withholding tax. Businesses must withhold state income taxes for all employees and include this expense in their cost of doing business. Businesses must have this money up front and include it when establishing prices for their goods and services. So the poor pay as much or more for state income taxes than anyone else through this hidden tax that is truly regressive. Then, if the poor manage to prosper by overcoming all odds, they are met with a regressive state income tax that increasingly makes them pay more taxes as they earn more, pushing them backwards on their path to prosperity. Income taxes for the past 100 years since 1913 have made it much more difficult to move up out of poverty to become really successful. 100 years of self-inflicted economic wounds resulting from the income tax are much more than enough for us to realize that it is time to stop hurting ourselves and repeal the income tax. When elimination of the state income tax is debated, opponents of change say, "Show us the offsetting revenue that will replace the state income tax." Of course this is impossible because the revenue does not exist yet and will not exist until the tax swap occurs, replacing the state income tax with some adjustment in the sales tax. Without the state income tax, every cent of the existing sales tax rates will produce more revenue because there will be a surge in spending if people, especially poor people, have more money in their pockets to spend. The full extent of this increase in spending and the resulting increase in state sales tax revenues will not be known precisely until the change is implemented and given time to work. Opponents of change chant, "Show us the money now; show us the money now," but they block the change that would produce the additional money for them to see and allow Louisiana to compete with states like Texas and Florida that have no state income tax. Getting rid of the state income tax is a huge pro-growth formula for all businesses, especially small businesses. The small business sector of the economy creates about two-thirds of all jobs nationwide (about 70 percent before the recession) but accounts for only about half of the jobs in Louisiana. This is primarily because of our additional regulatory burdens here and our state income taxes that we compulsively cling to that suppress the private sector of the economy, keeping people from spending more money and increasing the cost of doing business in Louisiana compared to some neighboring states. Louisiana needs to attract new residents, retirees and new businesses to become more prosperous (more taxpayers, not higher taxes). When poor people

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have jobs resulting from economic growth and lower taxes, they can buy a car and not worry about how long before the next bus comes; how close to my destination will the bus go; and will it rain on me or be too cold or too hot for me while I wait? For the faint of heart who cannot see the clear path to prosperity and compulsively cling to our existing taxes without change, there is an almost painless transition plan where they can see how it works and watch the results occur before going on to the next stage of income tax elimination. This plan is **Pennies for Prosperity** to prime the progress pump. Increase the state sales tax rates by **One Cent or more** but keep this additional revenue separate and totally outside of the State's general budget. Use 60 percent of this money to eliminate as much of the lower tax brackets as possible, moving from the bottom up. Use 40 percent of this money to lower the tax rates equally for all of the remaining brackets. This will have a stimulating effect on the economy. The state will have an increase in sales tax revenues not just from the additional one cent of the transition plan but also from the existing sales tax rates, allowing additional income tax brackets to be eliminated until eventually there is **no state income tax.** Then Louisiana can take full advantage of its superior location with the Mississippi River, the Gulf Coast and much more at the crossroads of the nation. The state sales tax can also be managed much more efficiently and effectively than state income taxes, not only in the collection of taxes but also in the administration of the tax for the public good. Sales tax holidays can be declared for specific days if more economic stimulus is needed or if more relief is needed from taxation such as, for example, for back to school supplies. Temporary sales tax exemptions can also be declared for certain items if these are needed, for example, for disaster relief or public health needs. The effective management of the sales tax can help the truly needy much more than tinkering with the state income tax, and those who are successful in their work can be rewarded with the fruits of their own labors, at the same time creating more jobs for others. Prosperity likewise creates over flow work that benefits self-employed individuals. **Pennies for Prosperity** is a **Win, Win, Win, Win** plan. Capt. Bob Bell USN (Ret), JAGC