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Part VII

The Best Way Out: Cut Taxes

Consumers and businesses need more disposable income. Tax cuts are the most effective way of stimulating economic growth.

It's the economy.

Florida's consumer confidence last month hit the lowest level in the index's 25-year history. In fact, the index has set record lows in each of the past two months — dropping to 63 in May, then 57 in June. Prior to this, the record low of 64 came in December 1991, in the depths of Florida's last real estate recession.

Nothing else should be higher on the local, state and federal agendas — in both the private and public sectors — than how to revive the economy; how to stimulate new investment in people, ideas and equipment; and how to give all American consumers more disposable income.

There is only one quick, plausible and lasting fix:

Cut taxes. At all levels.

Here is why this must be done, how it must be done; and the effect if this is done:

• **The why:**

1) When U.S. House Speaker Nancy Pelosi touted in January the recent stimulus handout — creating \$106 billion out of thin air (i.e. printing more money the U.S. government doesn't have), she boasted the effect would be an increase of 500,000 jobs. Since that time, the U.S. economy has lost 460,000 jobs, and data show that only 10% of U.S. consumers are spending their handouts on new consumption.

Another round of handouts, as suggested by the Democratic presidential candidate, would be even more disastrous, causing the most insidious tax of all — inflation — to suck away even more of Americans' earnings. Indeed, if you look at the accompanying table, the third expense listed is the "inflation tax." U.S. inflation has risen to an annual rate of 4.25%, and the effect is cruel. In the case of our average Sarasota couple's monthly expenses, inflation is eating nearly \$250 a month from the couple's income. That's \$3,000 a year taken from the couple's disposable income through the devaluing of the dollar because of the federal government's printing of more money to cover its deficit spending.

It's basic economics: Increased supply lowers the value and price. More government spending will solve nothing.

2) Here is the other and most fundamental reason taxes at all levels must be cut: Our governments — local, state, federal — do not produce or contribute any productive goods and services to the growth of any economy. They only suck resources out of the economy, like a toll-taker, who adds no productive value to an economic proposition, who only takes a portion of a dollar for himself. No matter how you look at it, government spending can never

create wealth. It can only redistribute it.

The private sector, on the other hand, except for thieves, generates income through the production of goods and services. And as these private individuals and ventures become successful, creating and selling the fruits of their productivity, they invest more in people and productivity-increasing equipment to create more wealth. They keep the economy moving forward and growing, all the while generating increased tax revenues that fund government.

We do not have that condition now because in our current state of economic recession, especially here in Sarasota and throughout much of Florida, consumers and businesses are tapped out. They have pulled back, which causes others to pull back. When home builders and Realtors' sales contracted, their pullback swept through retailers, restaurants, personal-service providers and more. It has become nearly an unstoppable nose dive.

Consumers and businesses need a reason to feel optimistic, to boost their confidence. They need more disposable income.

• **The how:**

1) Stop inflation. The most sure way to curb inflation, without destroying more private-sector jobs, is to cut government spending below what it is now.

Reduce lavish government pension plans. Eliminate government programs and jobs. Cut some government services. Quit subsidizing a few at the expense of the many.

2) Take away or reduce hidden taxes that are sapping consumers. Just look at all of the toll-taking that occurs on consumers' utilities — 20% of the cost of TV, cell phone and electricity goes to the government.

3) Eliminate Florida's required local school property tax (Amendment 5). Cut state and federal corporate income tax rates. The freed-up capital will be put to productive use — to grow the economy and to fill whatever voids occur in government services.

• **The effect:**

As the famous Arthur Laffer has shown repeatedly with empirical data, localities, states and national governments that lower tax burdens always experience rising economic activity as a result. After Ronald Reagan's three consecutive years of tax cuts (5%, 10% and 10% from 1981 through 1983), in the remainder of the 1980s, the federal government saw its tax receipts increase more than \$1 trillion over what it collected in 1980. As the economic growth mushroomed, federal tax revenues increased at an average annual rate of 10.6%.

Cut taxes. It's the best way out.

HOW TAXES CONSUME 33% OF YOUR INCOME

Here is a sample of the estimated monthly expenses of a young couple in Sarasota County with no children, earning \$70,000 gross income a year. Their home has a net taxable value of \$200,000 a year.

The table also shows the effect of direct taxes, which consume 32% of the couple's income. Taxes not included are the cost of regulation on the goods and services the couple consumes.

The lines marked "Taxes total" show what percentage and how much money taxes consume of each expense item. Those costs are included in the couple's monthly gross expenses for, say, gasoline, cable TV, cell phones and electricity.

Monthly Gross Income **\$5,833.33**

Monthly Expenses	Tax rates	
Social Security/Medicare	0.0765	\$382.50
Federal withholding	0.134	\$781.66
Inflation tax	0.0425	\$247.90

Mortgage		\$1,200.00
Property tax	0.0126	\$210.00
Homeowners' insurance		\$200.00

Groceries		\$650.00
Car loan		\$500.00

Gasoline		\$450.00
Federal gas tax	0.184	\$82.80
State gas tax	0.145	\$65.25
County gas tax	0.05	\$22.50
Taxes total	37.90%	\$170.50

Car insurance		\$105.00
Health insurance*		\$200.00

Cable TV/Internet		\$100.00
Local Comm. service tax	0.023	\$2.30
Sales tax	0.07	\$7.00
State communication tax	0.036	\$3.60
Digital voice tax	0.02	\$2.00
Universal connectivity charge	0.004	\$0.80
Regulatory recovery fee	0.0006	\$0.06
Taxes total	15.36%	\$15.75

Cell phone		\$100.00
State comm. service tax	0.068	\$6.80
Gross receipts tax	0.0237	\$2.37
Local comm. service tax	0.0034	\$0.34
911 surcharge	0.0017	\$0.17
Taxes total	9.68%	\$9.68

Electricity		\$300.00
Gross receipts tax	0.026	\$7.80
Franchise charge	0.062	\$18.60
Utility tax	0.063	\$18.90
Florida sales tax	0.07	\$21.00
Discretionary sales tax	0.01	\$10.00
Taxes total	23.10%	\$76.30

Water/garbage		\$55.00
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Recreation, clothing		\$175.00
Sales tax	0.07	\$12.25

Total expenses		\$5,657
Total taxes		\$1,906
% of monthly income		32.7%

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