Debunking the tax structure: a lifelong tax activist explains the tax tangle

BY FLOYD L. MORROW

(About the author: A tax reform activist for many years in San Diego, Floyd L. Morrow received his BBA in 1957 at the University of Texas and LLB in 1959 at the University of Texas and has been a practicing attorney for over 20 years in San Diego. Mr. Morrow is President of Basic Economic Education, Inc., a nonprofit educational foundation and has written, lectured and taught economics and law at San Diego State University and a number of local colleges. He served 12 years as a San Diego City Councilman and is presently a candidate for the 77th California State Assembly. Mr. Morrow served several years on the California League of Cities, Revenue and Taxation Committee.)

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Whether you believe that taxes are only a system designed "to pluck the most feathers from the most chickens with the least squawking," or along with David Ricardo that "taxation under every form presents but a choice of evils," or finally as Oliver Wendell Holmes asid "taxes are what we pay for a civilized society." You are a taxpayer and voter. There are intelligent choices!

In short to shed some light on a difficult subject, I submit this article in hope that it might help intelligent choices to be made.

..owners of capital are much more organized and have much more political clout..

The first year of operation of the United States Government, 1789-91, total receipts were $4,418,913 and tariffs or imports accounted for 98% of this. In 1979 total federal receipts were in excess of $439 billion (100,000 times as big as our first budget), but now tariffs or exports are less than 2%. You might say, "we've come a long way baby."

The system has grown like topsy-turvy. There is no rhyme or reason. On March 3, 1791, our first "booze" tax was enacted. In 1802 all taxes, with the exception of a salt tax, were repealed under Jefferson's leadership. In 1807 even the salt tax was repealed. With one brief intermission during the War of 1812-17, no taxes were collected for over fifty years!

Financing the Civil War spawned a variety of taxes. In 1861 we had our first income tax and a directly apportioned tax on land.

In 1894, an income tax was adopted. The tax was held unconstitutional in *Pollack v. Farmers' Loan and Trust Co.*, 15 S Ct. 673 (1895) on two grounds: 1) as respects the income from land, the tax was direct and therefore invalid because unepportioned; 2) as respects the income from municipal bonds, the tax was invalid because of a want of power in the Federal Government to levy a tax that falls on the power of the State to borrow money.

As a result of the courts decision our constitution was changed to accommodate an income tax.

The sales tax discriminates against consumption as an act.

The 16th Amendment of our constitution was ratified Feb. 25, 1913. It provided: "The Congress shall have power to lay and collect taxes on incomes, from whatever source derived, without apportionment among the several States, and without regard to any census or enumeration." For the next 67 years, we have had a steady stream of legislation and court decisions which have spawned a complex, unrelated, special interest oriented, and incoherent system.

A more confusing revenue and tax system can hardly be imagined than the current system employed in the United States. There are in excess of 35,000 separate taxing jurisdictions. Each jurisdiction employs numerous methods to raise revenues, some called a tax and some not.

Fundamentally, there are only four things which can be taxed. They are: (a) natural resources, (b) people, (c) wealth and (d) capital. In each case, an individual person or group of individuals is affected differently, depending on how the thing is taxed.

There are basically four methods of taxing each thing. They are: (a) incomes, (b) property, (c) transactions (sales) and (d) fees and charges for goods and services rendered. This means that there are at least 16 combinations to further confuse and blur the picture, not to mention the question of when a tax is imposed and collected.

Income may be derived from the individuals ownership of an oil deposit (natural resources), income from his labor (people), income from the sale of his home (wealth) or income from his business machines and equipment (capital).

Income taxes appeal for the practical reason that if someone has an "income," they at least ostensibly have the "ability to pay" immediately and timing is critical both psychologically and pragmatically.

An individual taxpayer may own a tract of fertile soil (natural resource) where he physically or mentally is employed (labor), producing with machinery and equipment which he owns (capital) while living in a home for his personal consumption only (wealth). This analogy was real for most of our population prior to 1900 when family farms were the majority life style.

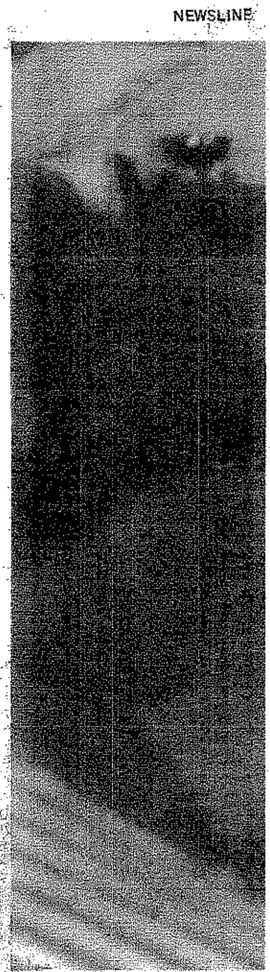
If the taxpayer simply holds the natural resource idle, he has no income for tax purposes. The same results obtain when an individual does not work, no wages, no income, no tax. Regardless of the potential "ability" in both cases, labor or natural resources, when under utilized or idle, there is no income to be taxed. It becomes obvious that machinery and equipment (capital) cannot generate income when natural resources and labor are absent.

The "income" approach to taxation is most effective when applied to labor, particularly if combined with a "withholding" system. Not only is the taxpayer unaware of the heavy load, but he requires little accountability from his government. Most people must work to survive, therefore the threat of voluntary idleness to avoid taxes is nil. Finally, in an industrial society, most labor is performed for someone else and in such a way to make it difficult to hide ones income. Over 60% of all taxes in the United States are in the form of taxes on "income" from labor. Income from natural resources is taxed minimally because by definition, depletion allowances of up to one fifth are not even considered income!

An "income" tax method can and is used to raise revenue from those who utilize capital productively. Much the same rationale is used fr imposing a tax on the income derived from capital as is used to justify a tax on incomes from natural resources and labor, i.e., "the ability to pay." One other big difference is that owners of capital are much more organized and have much more political clout. They do have the "ability" to avoid income streams that are taxable. One other big difference is that capital can be moved fairly easily from one taxing jurisdiction to another, thus avoiding the jurisdiction and the taxes which are most onerous. In many cases they can play one jurisdiction off against the other, thereby effectively bargaining a better deal.

The "income" tax method is little used as an instrument to collect revenues from wealth. Wealth which is simply being consumed (i.e., a home) generates very little income.

However, the property method of collecting taxes from each of the four things is particularly effective with homes because shelter is the largest category of "property" taxation and a large number of "taxpayers" own homes. Fortunately, in the United States, home ownership is rather widely held (almost 50% claim to own their shelter) and can be effectively marshalled to protest this kind of taxation.



Former San Diego City Councilor Floyd Morro[w] his tireless efforts to overhaul the local tax struc[ture]

The fact that natrual resources are also classified as "property" confuses the picture a great deal. In every day parlance, most people do not distinguish between ownership of property which is a natural resource (i.e., the land underneath their home), the ownership of capital property (i.e., a factory or equipment on top of the land) or the ownership of wealth property (i.e., the home which is simply being consumed by use). Even economists fail to distinguish between property which is a natural resource and property which is capital, preferring instead to mix and confuse the two concepts by referring to land as "capital."

There is no coherent definition of "property" for tax purposes just as there is no coherent definition of "income" for income tax purposes. The taxpayer might own a very valuable piece of potentially and productive property, yet pay very little taxes because the assessor or local collector of taxes uses an "income" approach for valuation. No income on vacant, slum, or under utilized property, hence small "value" for tax purposes.

Transaction taxation is a third method of collecting revenues. The basic moving cause being a transaction or action by or between taxpayers, i.e. a sale, a rental, a purchase, building, demolishing, driving a car, going to a movie, etc. As with other revenue measures, there is little if any correlation between the levy, fine, fee, tax, etc. and the thing being done. The largest of these revenue measures is the "sales tax", although the so called "gas tax" is quickly catching up. Most state governments rely heavily on this mode of raising income. For example the State of California gets most of its revenues from this method.

As with other types of taxes, this meghod is not only complex but abounds with inconsistencies. For example, hundreds of consumer goods are subject to the tax while the sale of

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Childcare credit

If you paid a sitter to watch your children and other dependents while you worked, you could be eligible for both state and federal tax credits.

Both California and the federal government figure the credit the same way, though the federal credit is 20% (up to $800) while the state credit is 3%.

To be eligible you must provide more than half the cost of operating a home that included a dependent child under 15, a disabled dependent of any age, or a spouse who because of physical or mental condition is unable to care for him-self/herself.

Married persons normally must file jointly to claim the credit. In addition, both spouses need work ¾ of the workweek or be looking for employment. This year, married couples where one spouse works part-time or is a student are eligible. Divorces and/or separated parents with custody are also eligible.

Allowable expense include the cost of a maid, babysitter, or nurse ...including all their meals and lodging. Also included are all amounts paid to a relative —even if they live with the taxpayer — but only if that relative is not claimed as a dependent. Allowable costs include day care center fees, nursing home costs, and nursery school tuition.

Federal Tax Form 2441 (and a similar state tax form) explain how to claim this credit. The federal limit for one child is $400 and for two or more, $800. This is a "tax credit" (i.e. a deduction of taxes due) — not a write-off on your income. It is figured *after* you compute your taxes.

SDI refund

Any Californian who earned more than $11,400 in wages and had 1 percent deducted from their pay as their contribution to the state's disability insurance fund is eligible for a refund of up to $91.

The California disability insurance fund (DIS) provides workers payouts in the advent of an on-the-job injury. With the exception of some classes of state governmental employees, every worker in California has 1 percent deducted from his or her pay to keep this fund solvent.

The fund has accumulated such a large surplus recently — mainly because the state overestimated the cost of a new pregnancy benefit for working women — that last year the Legislature authorized a $528.5 million refund.

Every wage earner is entitled to have returned 80 percent of his or her DIS contribution made during 1979. Since the program has a ceiling and is not collected on any wages in excess of $11,400 in a given year, the maximum credit is $91.

Renter credit

Another state tax credit is the renters credit — available to any resident of the state of California who meets several simple criteria even if they paid no state income tax for last year.

An easy-to-fill-out form in the back of the tax instruction booklet asks simply if any individual: a) was a renter on March 1 of last year; b) was a resident of the state of California for what portion of last year; c) didn't claim a home-owner tax exemption for last year; and d) were not claimed as a tax deduction for the year by a parent or guardian.

The credit is $67 for singles and $135 for a married couple.

The amount of this credit was raised last year as a result of the passage of Prop. 13. The idea was that because half of the state are renters and Prop. 13 applied only to property owners, some relief to tenants needed to be made available.

Deduct your car

If you use your car for business purposes, there are two different ways of getting a tax deduction.

1. The optional method. Deduct 18 cents per mile for the first 15,000 miles and 10 cents each additional mile for driving that is essential to your business or work (e.g. salespeople who *don't* get mileage reimbursement or self-employed professionals who drive as part of their job). You may also deduct tolls and parking.

2. The actual expense method. Keeping track of all automobile related expenses (gas receipts, repaid receipts, etc...) and deduct the actual cost of operating your vehicle.

You may use whichever method works to your best advantage.

divorced parents

Child exemptions for divorced parents are often a big problem. If the divorce settlement specifies who gets the children as exemptions or the court spells it out, then the matter is simple.

But if there's no provision, the parent without custody would have to contribute at least $1200 to the support of each child to claim dependency exemption. A parent without custody contributing more than the parent with gets the exemption.

In some cases where a divorcee with a child from a previous marriage marries someone, the problems multiply. If the original divorce decree gives the exemption to hubby No. 1 or wife No. 1 even though hubby No. 2 or wife No. 2 provide more than half the support they lose out.

More deductions

More permissable deductions:

— breakfasts, lunches, and dinners wherein business activity took place;

— dues paid professional societies and associations;

— travel expense to inspect investment property;

— casualty or theft loss of more than $100;

— subscriptions to professional and business publications;

— attendance at conferences to foster professional or business advancement;

— job hunting (certain costs).

Jaws

(Continued from page 1)

budget.

* End the state bailout of local government. That would solve the state's problem, all right. But it would destroy some elements of local government. The public schools would be put out of business. Some special districts could not survive. County health and welfare operations would practically be eliminated.

* Simply cut the fat in government. After the squeeze of Proposition 13, does anyone believe there is $5 billion in fat left? Perhaps so. But what is fat to one person is heart and soul to another.

* Halt all capital-outlay programs. The state spends relatively little on new buildings, and the total proposed in the 1980-81 budget for capital outlay is only about $300 million.

Wielding the Scalpel

So there are no simple solutions. In order to come close to $5 billion, the governor and the Legislature must wield the scalpel at all levels of government and make incisions that threaten the life of the patients. While the formula might not be obvious, there are some facts that cannot be avoided: Local government will bear the bulk of the loss. There is no way to prevent major cutbacks in the health, education and welfare programs. Even programs that involve relatively few dollars will be affected. Here is a rundown on those who probably have the most to lose from the passage of Jaws II:

* Public employees. Despite inflation, pay raises will be eliminated, and there will be a sharp reduction of force in some agencies.

* Students (and parents). Because education takes so many state and local tax dollars, deep cuts in school budgets are unavoidable. Students in the University of California, the State College and University system and even the community colleges may have to pay substantially higher tuition and fees.

* Women and minorities. Because public employment will shrink, the big losers under the last-in, first-out principle will be women and minorities. Advancement opportunities will also be reduced.

* Welfare recipients. The state now spends $2.5 billion on welfare grants. These could be cut back, as could other social services. At the least, it should be expected that there will be no cost-of-living increases. The cutbacks could affect the aged, blind and disabled who receive state supplements to their federal grants.

* The health-care industry. It is obvious that one major target will be the skyrocketing Medi-Cal program, which pours $2.3 billion in state funds into the hands of doctors, hospitals and other health-care providers. Those 300,000 Californians rated as "medically indigent" — not on welfare but too poor to pay for their own health needs — may be especially vulnerable.

* Charitable organizations. The United Way and other organizations depending upon public contributions will be hurt two ways. With the reduction in governmental services, more people will come to them for help. And the reduction in the income tax rates will eliminate some incentive for individuals to contribute.

* "Soft programs." There will be heavy pressure to reduce spending for libraries, parks, recreation activities, rape centers and the like.

In establishing a Jaws II priority list, there are numerous issues of public policy that are bound to be discussed. In normal times, for example, it would be unthinkable to consider elimination of special funds that must be used exclusively for a pre-determined purpose. The state's Highway Establishment would fight to the death against any move to merge the $1 billion highway fund into the general fund so that some gasoline-tax revenues might be used for health, education and welfare. Here are some other policy issues that might be considered at the state and local level:

* Pensions. Retirement benefits for public employees have become an enormous burden for local government. The passage of Jaws II could accelerate a switch to new plans, far less generous than the current benefits, for all new employees.

* Innovation in local government. Some agencies might try to consolidate departments, use some employees for more than one function, and even try the "hitch" system of hiring policemen and firefighters. (The "hitch" system was developed by John C. Houlihan, head of the Institute of Local Self-Government, as a means of reducing fringe benefits to public employees. Under this proposal, the worker is guaranteed a job only for the length of the hitch.)

* Local government. Cities can be expected to lose almost all state assistance because they can be reasonably self-sufficient with income from other sources. Counties serve as agents of the state in the health and welfare field, and they may feel intense pressure to provide the same services with much less money. Some special districts could be crippled.

A State of Emergency?

Some of the solutions that might be attempted — such as reductions in pension benefits for public employees — are not available because of legal restrictions. There are also constitutional requirements, federal regulations and a myriad of state laws that will stand in the way of some cutbacks the Legislature might otherwise entertain. One possibility is that Governor Brown will proclaim a state of emergency if the initiative passes, theoretically giving him powers to halt spending that otherwise would be automatic. It would remain for the courts to decide what he could and couldn't do under an emergency order. The courts ruled in a Proposition 13 case that contracts with public employees could not be suspended in 1978 because there was no evidence of an emergency.

* Establishment of a new system of laying off public employees. There is some pressure for some systems other than a straight seniority method of reducing the force. Even when seniority is used, are credits based on total years of employment, years in a specific job or years in a specific rank? This issue is one that may have to be resolved by the courts.

* Federal Interchange. Legislators at times will be faced with the alternative of keeping a highly valued program that is funded totally by the state or one that is lower on the priority list but is supported heavily by federal dollars.

* Campus Closing. One way to save money would be to close smaller schools at all levels, including community college, state university and University of California campuses.

The Ultimate Test

For Governor Brown and the Legislature — Jaws II would present the ultimate political test. The voters have an opportunity to give themselves a substantial tax cut without facing the hard choices of which services to reduce or eliminate. For politicians, the issue is which lobbying groups to enrage the most. If the measure passes, the law of the jungle will prevail in the Capitol until a budget is passed. It does not take much imagination to write a scenario in which lawmakers cannot agree which cup of hemlock to drink, and government at the state and local level becomes paralyzed for several months.

Within the framework of normal legislative thinking, the passage of Jaws II will present a problem for which there is no solution.

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TAX ISSUE

TIPS TO SAVE TAX $$

SAN DIEGO NEWSLINE

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Prop.9: JawsII threatens all who rely on government

BY ED SALTZMAN

What will happen if the jaws of Howard Jarvis slam shut on California government June 3rd? Will state and local government be able to survive round two of the tax-revolt onslaught, as it did two years ago, with only minor bruises? Or will the predictions of governmental-service atrocities made in the Proposition 13 campaign come true this time around?

This month Governor Brown is supposed to unveil his Jarvis II budget after ordering state agencies to show how they could reduce spending an arbitrary 30 percent. Committees of the Legislature probably will try to draft some other contingency plans based on the assumption that Jarvis' measure will be approved. These 'what-if' preliminary budgets will become prime tools of the opponents of the Jarvis initiative, which would reduce state income some $5 billion in the fiscal years starting July 1st.

The problem of those trying to defeat Proposition 9 — known as Jaws II in political circles — is credibility. Can they convince voters that doomsday is coming when the same prediction made in the Proposition 13 campaign turned out to be a sham? In political circles, there is an underlying belief that the public will not buy the pleadings of elected officials, labor organizations and even business leaders — especially when they hear Howard Jarvis assure them that government can survive Jaws II without harming critical services. It will probably take an extraordinary selling job to prevent the voter from saying yes to the tax cut offered in the initiative.

The Jarvis proposal has three elements, but only one of them would have an immediate impact. The Legislature has already eliminated the tax on business inventories and has applied a cost-of-living (indexing) factor to the personal income tax. (The Jarvis measure would guarantee that the indexing would be permanent, however.) If the initiative is approved, the state income tax brackets would be cut in half, and tax experts estimate that the typical Californian would be the beneficiary of a 53.5 percent reduction in state income taxes because of the way the levy is calculated.

The Zero Surplus

In 1978, when Proposition 13 was adopted, the state had a huge surplus — one that developed primarily because of the effects of inflation and a healthy economy on income-tax collections. That surplus, plus modest cutbacks in services and a plethora of local service-charge increases, kept local government in business despite the loss of $7 billion in property-tax collections after Proposition 13. The Jaws II vote comes at precisely the time that the state surplus is dwindling down to zero. Even if the initiative fails, the state will not be able to maintain its bailout funding for local government beyond the 1980-81 fiscal year. That is because the state has been operating on budgets heavily in the red for two years while living off the surplus.

There is virtually no argument about the effect of Jaws II on state income. It will cost about $5 billion in the next fiscal year, and a bit more than $4 billion in the following year. Actually, Jarvis II may already be in effect. That's because the cut in income taxes will apply retroactively to last January 1st should the proposition be approved. Thus state and local government will have to absorb the loss from one-and-a-half fiscal years in a single budget starting July 1st.

While the state treasury would lose $5 billion from the income tax, the savings to the California taxpayer would be significantly less. The reason: The federal income tax would take about $1.5 billion more from Californians through a loss in claimable deductions. The federal government would also reduce revenue-sharing payments to the state, and the state could lose many more millions of federal dollars for specific programs, depending on what configurations the cutbacks take. Many state expenditures are matched dollar for dollar by Uncle Sam.

A 'What-If' Budget

The Legislature could pass a "what-if" budget before June 3rd and show Californians exactly what would happen if they pass Jaws II. That is a 100-to-1 shot. The Legislature has enough trouble getting a routine budget on the Governor's desk by July 1st, let alone one that is loaded with major political controversy. Even if a budget were approved before the election, there would be nothing to prevent subsequent revisions.

The state surplus made it relatively easy for lawmakers to reach agreement on a fiscal program two years ago. That will not be the case this June if the initiative passes. The competition for the public dollar will be more ferocious than ever, with supporters of public services fighting for their economic lives. Lawmakers will fight for their favorite constituent groups, and it may be extremely difficult for two-thirds of the Senate and Assembly to reach consensus in a short time.

How will the governor and the Legislature respond to the challenge of Jaws II? Look at the enormity of the task: The $5 billion loss represents 25 percent of the general-fund budget. It is the same amount that the state now provides all levels of local government in bailout funds. It is more than is now spent for all state operations — universities, prisons, the courts, the works.

During the coming months, many simplistic solutions are bound to be offered by those on both sides of the initiative battle. Here are some of them:

* Levy new taxes. Most legislators would consider this political suicide, especially if the levies were aimed at the general public. The problem is that the only tax that produces income by the billions is the sales tax. The state would have to double the bank and corporation tax to recoup the Jaws II loss, and that's hardly a realistic alternative. The state could double the "sin taxes" on cigarettes, alcoholic beverages and parimutuel wagering and still raise only 10 percent of the loss. The governor has suggested that non-consumer taxes might be raised, but the proceeds will barely make a dent in the bundle needed to maintain the status quo.

* Reduce all budgetary items a flat 30 percent. Governor Brown issued his order in an effort to identify the softest spots in the budget, not because he felt that an across-the-board cutback would be feasible. Some agencies cannot absorb substantial cutbacks, while other agencies could be gutted or eliminated altogether. The answer to Jaws II cannot be found in state departments; it would have to come from local government, which gets 80 percent of the general fund

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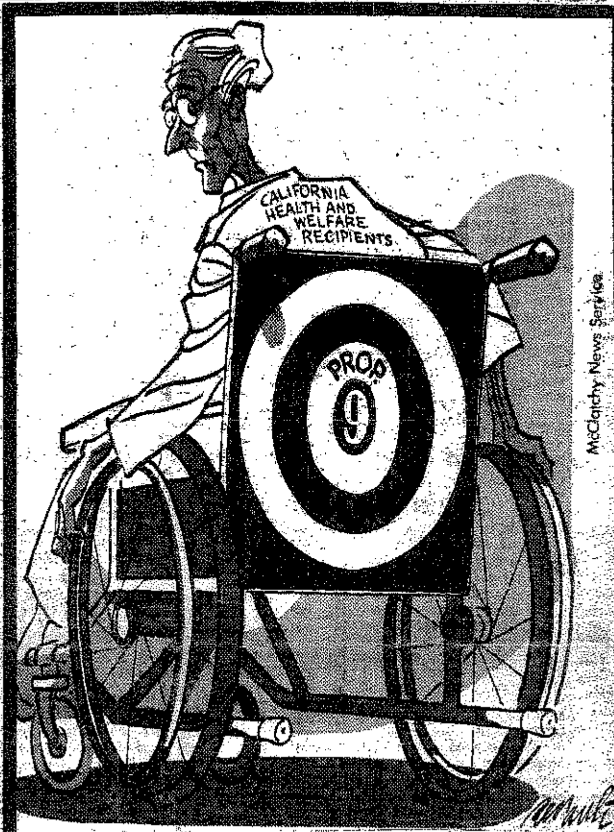

The Howard Jarvis Moving Target

Brown says Prop 9 benefits rich at expense of poor

Declaring that the richest 10 percent of the California population would reap more than half the tax benefits, Gov. Jerry Borwn last week went on record in opposition to Prop. 9 or Jaws II.

"I believe that it is unfair to give so much to so few," said Brown in a Los Angeles press conference where he appeared before a chart indicating how the $3.5 billion state income tax cut Prop. 9 would impose would be distributed. According to Brown, the 10 percent of the state population earning more than $40,000 annually would save $2 billion in taxes while the 90 percent of the state's wage earners making less than $40,000 would save $1.5 billion.

Citing "a cloud of uncertainty hanging over" state and local government as a result of Prop. 9, Brown flatly declared that it was unfair to give the wealthy big tax breaks at the expense of the poor and needy who depend on governmental services.

A former Jesuit seminarian, Brown cited the Apostle Matthew, declaring "the least of these, my brethren" to indicate his concern for the impact Prop. 9 could have on government services.

Although there is political risk in opposing Prop. 9, Brown stated "If a risk is going to be taken, I want to take the risk, not the university, not the handicapped, not the poor, not the mentally retarded."

Recalling how he had also opposed Prop. 13 — the first Jarvis tax cut measure — Brown stated that, should Prop. 9 pass, "I will faithfully carry out the mandate of Prop. 9, if that is your will. I will do it in the most humane way I know."

Brown also noted that President Carter and Congress were discussing federal spending cuts while the uncertain future of the economy added to a mix that would not guarantee state government's ability to make up for lost revenues in the event of Prop. 9's passage. "The once buoyant California economy is disappearing in the face of a rapidly approaching recession," he warned.

Moreover, in addition to $7 billion in property tax cuts caused by Prop. 13, the Governor and the Legislature have instigated a $1 billion income tax cut, rent relief, elimination of the business inventory tax, and indexing of state income tax brackets to compensate for inflation. "That adds up to $16 billion over the last two years in tax reduction," Brown said. "That's more tax relief than any given by any state in the history of the United States."

...es over a game of chess. During his tenure on the Council Morrow was known as the dean of the local tax reform movement for

natural resources (the largest being land) is not subject to the tax. This method is not only expensive to collect, imagine trying to capture and account for 20,000,000 daily transactions, but subject to massive fraud. The honest storekeeper or businessman is sorely tempted!

The basic policy question present in his concept is extant. Why penalize people for doing things? Sure we rationalize that some things are evil, hence they should be taxed to discourage the action (i.e., smoking, drinking, etc.) but does that rationale extend to almost every conceivable act? Going to dinner? A movie? Buying or selling thousands of items?

Not only does this method discriminate against consumption as an act, it invariably bears more heavily on the poor as measured by almost any criteria. Is this a sound policy? Compounding the obvious defects is a lack of accountability.

Finally, we occasionally pay for what we get from government (some say "thank God" that we don't get as much government as we do pay for!). This method of raising revenue depends on a direct service or product in exchange for a fee, a so called "users fee." The city sells water for a fee. The government provides a specific service for a fee (i.e., an ambulance fee). Some departments charge an "inspection" fee. Whether this last charge is a fee for services rendered or simply a tax would depend on whether the service was avfilable on a competitive basis and somewhat on whether the "inspection" was mandatory or voluntary. The oft quoted phrase "there is no free lunch" is just as valid in this context as in a private transaction. Strict and uniform accounting requirements would at least make various governmenatl units accountable.

Some services, particularly safety services, do not lend themselves to a strictly "quid pro quo" arrangement. However, we could correlate a charge for such services on the basis of how much someone has to lose. Suppose the burglary detail was funded by those who desire their service and subscribe to a monthly or yearly fee. Some subscribers have a great deal to lose while others have very little to lose. Commercial establishments who have a great deal to lose could pay based on what level of service they wish while some homeowners have very little to lose and may not wish to subscribe.

Getting away from "services" and into providing material things, a different criteria, yet basically the same philosophy, would apply. Some locations are more or less valuable because the fire house or police station is nearby. A park across the street may add a great deal of value to a specific location. All locations have a free market value depending on their relationship to public improvements. If there are good public roads and facilities near, the value increases, if absent, the value decreases. In this area of governmentally provided goods, there is a direct correlation between what facilities and where public facilities are located. Each specific location, whether used or not, would pay a fee based on its value.

The ultimate tax or revenue measure should correlate the benefit received by the thing taxed.

A more confusing tax system can hardly be imagined than the system currently employed in the United States.

Taxation is immoral

BY REV. HARRY VALASEK

"Do we need taxation?" Invariably the answer given is — "We need money to run government!" This is not the answer to the question asked.

The answer should be — "no." Taxation is only one method of raising money for governments. Governments (politicians) then spend it for what they think will get them reelected.

The American Heritage Dictionary of the English language defines taxation as: a burdensome or excessive demand; a strain. Some older dictionaries also defined it as: a fine. These two definitions best describe taxation.

When a police officer issues a citation for reckless driving, a fine is usually paid with money or time spent in jail. The money collected is used for law enforcement, driver education, and other legitimate functions of government. The purpose of the fine is to discourage certain conduct. Little objection can be made to that.

During our daily living we pay many taxes; most obvious is the sales tax. It is a burden, a strain, and increases the price of what is purchased. It can also be viewed as punishment for conducting a sale.

What is the difference between a slave and an income taxpayer? One hundred percent of what the slave produces is confiscated by the "slave owner," only a portion of what labor produces is confiscated by the "tax collector." The difference is a matter of degree, not substance. In both cases the workers production is unjustly taken.

The Eighth Commandment says "Thou shalt not steal;" the most violated of all commandments, and most often violated by the tax collecting powers.

Rev. Valasek is an Engineer at NELC.

Our most insidious tax

BY LOUIS FREEMAN

This tax was conceived in 1913 during the Woodrow Wilson administration and has been creeping up on us ever since until now the majority of us pay a 20% tax at least on net income. Those with greater income pay more unless their earnings are high enough that they can invest in tax shelters.

The levy was small at the beginning but has increased steadily over the years. When the tax became burdensome, a "wiseacre" in Washington thought up the withholding of your estimated tax by the firm paying you. It was a bitter pill to swallow, but with the phoney sugar coating of taking a little at a time so it wouldn't hurt so much, there was little resistance.

As this tax began affecting take home pay, it became necessary to search for means to supplement the family income.

The net result has been the loosening of family ties.

How much better it would be if we put a stop to the taxing of what workers have produced and tax only natural resources which belong to everyone. Natural resources include everything on this planet that was placed here before man arrived and sharing in these resources is the birthright of everyone, including all future generations.

Our present upside down, cart-before-the-horse tax system is the cause of all our problems. Fathers abandon homes, mothers are forced to get jobs to support the family. Children do not experience the love and affection that former generations did, nor experience the satisfaction and joy of knowing their parents loved and enjoyed bringing them up. Now they fend for themselves, eat junk food, and get into mischief. Although a relative, a friend or a neighbor may look after them after school until mom or dad gets home it just isn't the same.

If we would restructure our tax laws permitting the individual to retain what he earns and income from what he creates, and instead levy taxes on natural resources, everyone, including government would be way ahead. The income tax is the big robber of the wage earner.

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