

## Virginia's Taxing Principles

'Tax Reform' – the block buster comedy – is coming soon as a feature presentation courtesy of Democrat Gov. Mark Warner Productions. He released a list of 'principles' today. They included the words 'fair, simple, modern, and efficient' as goals. But, his litany of 'how' to tax is not about principles. First things, like principles, are about 'why' one tax or another is appropriate. Otherwise, the basis for taxation is merely what revenue is available.

As with all things political, the devil is the details. Gov. Warner thinks the 'fair' way to tax physical sales of goods and internet sales is to hit them both. An opposing 'fair' way would be to tax neither. Taxes should not follow the Willie Sutton morality of robbing banks – because that is where the money is.

Virginians should demand acts of government serve principles. Principles should beget public virtues – not avarice.

Before the Governor releases his tax show we should consider if the principles of tax reform create comedy, tragedy or melodrama. Then, let's write the script.

Remember the classical political science definition of politics as 'who gets what'. Every act of any branch of government creates winners and losers. So, what principles should guide decisions where someone has to lose?

Is the better measure of each citizen's gain from their social compact with the state – what you earn or what you spend? Big difference. Both are taxed now. Economists can argue, like lawyers, either way. Here are principles I advocate:

1. I believe your earnings – regardless of the source – are your annual gain as a citizen. From these earnings a flat tax is a fair tax. Pretend the state tax is 5%. The person earning \$10,000 pays \$500, the person earning \$100,000 pays \$5,000 and the person earning that cool million (\$1,000,000) pays \$50,000. If you earn 10 or 100 times more you pay 10 or 100 times more. Why should the state covet even more with a punishing progressive tax?
2. Consider what is finite about Virginia – our land, air, water. I call these the 'finitudes'. You have a right to own them as personal property. But you don't have a right to destroy the finitudes or harm others'. Our taxes for property – personal and business – should be gauged on how the finitudes are used. Use them gently, tax lightly. Estimate how hard it would be to return the land, water, air to its natural state and tax accordingly. A parking lot where there is run off should be taxed more than a home. A big home should be taxed more than a small home.
3. If you use it, pay for it. Vehicle owners should be taxed at the gas pump, the toll, the license fee as needed to pay for transportation (not all of it, but much of it). Likewise, parks, public waterways, museums, libraries, etc. should have appropriate fees. These fees won't pay the full freight of the 'public good', but they will help.
4. If you visit, there's a fee. Visitors and in-state visitors need to pay for the fire, police, medical, etc. services provided by taxes. Tax accommodations, attractions and amusements.
5. Corporations should pay their cost, not their gain. The cost to the finitudes and the hours of labor they consume – another finite resource – should be taxed as low as possible. More businesses doing less harm to our finitudes create more jobs

- and more taxes.
6. Create communities with tax savings. Institutionalize communities of ‘commonweal’ for extended families, faith groups, neighbors, and co-workers to pull resources for medical care, education/training, senior care, a safety net in between jobs, etc. Enhance individual health and retirement savings accounts as well. That means give tax breaks for people who save, share and spend for themselves and for others – instead of having the state provide the service. Every dollar will be spent with far greater efficiency than the state.
  7. Do the analysis. Is there a macro-economic model of the Commonwealth? If not, build one. Then, feed it the numbers and see what comes out. The Governor’s informal working group and the General Assembly’s tax commission need to explain in detail the economic models they are using. Demand this public disclosure – soon and completely.
  8. Look at what is missing. Can we do away with sales tax and food tax? How will we have to amend the VA Constitution to keep a portion of the income tax in the cities and counties? Are other taxes needing a principle and appropriate levy?
  9. Establish goals. Lower taxes make the economy stronger – create jobs, wealth, opportunity – to a point of diminishing returns somewhere under 10% total burden. Work the numbers in the economic model to see how we can complete our social contract without contracting socialism. Less government is good government. Some government is absolutely necessary. Lower taxes are better. Fair and just taxes are best.

Revenue neutrality is not a taxing principle. It’s a spending addiction. What other principles matter most?

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