

FairTax: Why Not Tax Corporations

Politicians and Wall Street protestors are pushing the idea of raising corporate taxes as a means of promoting “fairness”, but is that really a good idea?

The corporate income tax is a relatively new invention, created in 1909, about the same time as the personal income tax. Starting out, it wasn't much, only 1%, and didn't have much of an effect on American business or the prices of goods and services. And imports weren't an issue, so, overall, the American public didn't recognize the subtle, but pernicious, effects of the tax.

Fast forward to today, and the situation is drastically different. Current American corporate tax rates can be as high as 35%, although many corporations pay less due to various deductions. And those high rates are reflected in the price of every American good or service purchased by struggling Americans. By some estimates, the average price of goods and services would decrease by 18% if all forms of corporate taxation were removed. And just as important, the billions of man-hours wasted every year in complying with our incomprehensible tax code could be used in more productive ways.

But there is another, even more vicious effect of corporate income taxes: They have killed millions of American jobs! In some cases, the jobs have simply disappeared as the company went bankrupt; in others, the jobs have been moved overseas to escape the effects of the American income tax system.

Here is why. If an American company produces a new product, it includes the taxes paid in the price of that product. From above, we know that raises the price of American products by an average of 18%. But what about imports? Imports don't have any American income taxes included in their production costs, so the same product, produced overseas, is about 18% cheaper than its American competitor. So, unless the American company has significantly greater productivity, it loses out to its foreign competitor, not because they are better, but because of the American income tax system. American workers have to work harder and smarter just to stay even, and sometimes the 18% penalty imposed by the IRS is just too big to overcome, so Americans get laid off, and foreign competitors take over the market.

And what happens to American products that we try to export? Most foreign countries have a Value Added Tax (VAT) that they apply to goods and services. When an American product is shipped into their country, the VAT is applied, raising the cost of American products by another 20% or so, based on the country. Either way you look at it, American companies work under a tremendous burden due to our income tax system. And all too often, the only logical answer is to close down American factories, ship the jobs overseas, and then send the products back into the American market place. Our income tax system leaves no other choice!!

So, the corporate income tax system has many disadvantages. It reduces the profitability of American companies by raising our prices and promoting the importation of competing goods and services. It kills American jobs by making our goods and services too expensive to compete against imports, or to sell in overseas markets. And it reduces the profitability of American companies, which hurts middle class investors trying to save for retirement.

And although it sounds reasonable, raising corporate taxes will only hurt American workers and the American middle class, while helping lobbyists and politicians.

But the FairTax fixes the whole problem.

Under the FairTax, there are no corporate income taxes, or business taxes of any sort. The price of American goods and services can be reduced, increasing both domestic sales and exports. Since the FairTax is applied equally to American goods and imports, the market share now being lost to imports will be recovered, helping to insure the financial future of American companies, instead of their foreign competitors. And many of the millions of jobs shipped overseas due to our convoluted, complex and corrupt tax code will be returned to the US, providing good, high paying, jobs for our workers.

It is time to end a hundred year old mistake that hurts American companies, kill American jobs, and makes it easier for foreign companies to come into our country and take over our markets. It is time to replace the income tax system that hurts America with a thoroughly researched, comprehensive tax system that stimulates the economy, supports American companies, and provides millions of jobs for hard working Americans.

It is time for the FairTax.

For more information, visit our website at www.ohfairtax.org, and join Five for FairTax.

The FairTax: Once you understand it, you'll demand it!!

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