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Tax-Cut Dollars and Dogmas

Despite the Republicans enjoying a majority in all three branches of the federal government, the liberals seem to have a lock on debates about public policy because they are more skillful (or dishonest) in the use of words. The current controversy about tax cuts is a good example.

That master wordsmith Bill Clinton popularized the use of the word "investments" as a synonym for taxes. The IRS tax collector, using the police power of the government, takes a big slice of your income while sweet-talking you with the lie that this organized theft is really an investment (even though it will rapidly vanish rather than grow).

Some of it goes for useful purposes such as protecting us from foot-and-mouth disease. But lots more of it goes for extravagant purposes such as a $514,148-a-year luxury pad for Hillary Clinton in Manhattan.

The most offensive manipulation of words is the way the liberals bleat that they can't "afford" a tax cut because it would "cost" too much. The liberals' mindset is that a tax cut is something like a government grant or subsidy to be awarded at the discretion of our royal masters to persons of their choice.

The liberal worldview was aptly expressed by President Clinton after his 1999 State of the Union Address when he shuffled off to Buffalo and told his audience that government must keep control of the tax surpluses because the people won't "spend it right."

President Bush set forth the Republican response in his first address to a joint session of Congress on February 27. "The choice is to let the American people spend their own money to meet their own needs." Continuing, he explained: "The growing surplus exists because taxes are too high, and government is charging more than it needs. The people of America have been overcharged and, on their behalf, I'm here asking for a refund."

The federal government's current take in taxes is the highest since World War II. It's the highest in percentage of family income and the highest in percentage of U.S. Gross Domestic Product.

The World War II generation accepted a crushing tax burden (and the gimmick of payroll deduction that made it possible) in the belief that the cause was worthy. In any event, the sacrifice of their money paled in comparison to the sacrifice of their sons on the battlefield.

War is the biggest cause of Big Government, and the politicians who tasted the prerogatives of distributing appropriated monies continued to keep their hands in our pockets long past the Korean War. Then another master politician, President Lyndon B. Johnson, discovered that he could coopt a massive pot of taxpayers' money by drastically reducing the defense budget and then (in an elegant metaphor coined by *Newsweek*) slicing up the melon in domestic handouts that rapidly grew into targeted entitlements.

When we hear wives and mothers assert that today's economy "requires two incomes," that they "have to take a paid job in order to maintain a reasonable standard of living," let's be blunt about the cause of their financial bind. Mothers don't "have to work" in order to support their families; they "have to work" in order to pay their taxes and support the federal bureaucracy.

In 1992, candidate Bill Clinton defined "the rich" as those "over $200,000," but he was referring to lifetime savings **not** annual income. The Democrats' tax plan sponsored by then-Majority Leader Richard Gephardt (H.R. 4848) and then-Senate Majority Leader George Mitchell (S. 2571) would have reduced from $600,000 to $200,000 the property exempt from the death tax.

That would have enabled the tax collector to confiscate 32% to 55% of everything every American owned at death (cash, investments, home, farm and small business) in excess of $200,000. Fortunately, that bill never passed, but it remains a classic example of the tax greed of the liberals. (*Phyllis Schlafly Report*, Oct. 1992)

The first President Bush gave us a huge tax increase in 1990, raising the top tax rate from 28% to 31% and also taking away the value of benefits such as the personal exemption and itemized deductions. Three years later in 1993, President Clinton raised the top tax rate to 39.6 percent.

The dirty little secret of our high federal income taxes is that at least a third of the American people don't pay any federal income taxes at all. If we are really going

to cut taxes, we will have to cut taxes for the people who are paying taxes.

One way to cut taxes would be to reduce all the rates that were increased under Bush I and Clinton. Another way would be to make the employee's share of Social Security taxes tax-deductible to employees, just as the employer's share is currently tax-deductible to employers. Another way would be to make health insurance tax-deductible to individuals, just as employer's health insurance premium payments are tax-deductible to corporations.

The American people are caught in a tax trap; the harder they work, the more they're forced to forfeit in taxes. Congress should refund the surplus from the U.S. Treasury; it's our money.

Two Faces of Marriage Tax Reform

Repeal of the marriage tax penalty was always good for a big round of applause in the campaign speeches of most political candidates last year. But the political bombast usually concealed the social policy that lurks behind the two approaches to reform.

The marriage tax is not verbally expressed as policy in any statute but is buried in the numbers. You can't find a section in the tax law that is labeled "marriage tax." It is a consequence of the fact that our income tax tables treat a married couple as only 1.67 persons instead of two whole persons.

Remedying the marriage tax is not just a matter of dollars. Ideology is at stake. Is the purpose of cutting the marriage tax to give long overdue respect to marriage as an institution fundamental to our society and to the raising of children? *Or* is the purpose to enable government to engage in national economic planning by using tax policy to influence human behavior?

If the purpose is the former, then it follows that all married couples with the same income should be taxed equally. Last year's Congress dealt fairly with this issue by passing a bill that taxed one-earner and two-earner married couples equally. President Clinton vetoed the bill, and it did not become law.

If, on the other hand, the plan is to give a tax break only to two-earner couples, that would replace the marriage penalty with a new homemaker penalty. Even politicians who don't particularly care about promoting marriage should be squeamish about discriminating against one type of married couple in favor of another.

But some influential policymakers argue that it would be an economic good for the tax law to advantage two-earner couples and disadvantage breadwinner-homemaker style couples. These economists praise giving more tax breaks to two-earner couples because that will induce married women toward greater participation in the labor force, which in turn will increase our Gross Domestic Product.

Edward McCaffery, a law professor at the University of Southern California, is favorably quoted in a Heritage Foundation analysis of the marriage penalty (CDA00-02, 2-8-00) as stating: "The fact that potential workers would avoid the labor force as a result of peculiarities in the tax code is a clear sign of a failure to maximize eligible resources. As a result, the nation as a whole fails to reach its economic potential, which is demonstrated by decreased earnings, output, and international competitiveness." In other words, The Economy wants wives and mothers to join the workforce in order to reach our economic potential.

Alan Reynolds of the Hudson Institute wrote in *National Review* in 1999 that the U.S. economy is "running short of willing and able workers" primarily because high marginal tax rates are "driving skilled married women out of the labor force." The assumption behind this argument is that fulltime homemakers are economic non-contributors; they raise children as volunteers, indifferent to the wants of The Economy.

Look at how the two approaches to marriage tax reform impact on a family budget. Let's say a married couple is struggling financially and needs more income to support the family, perhaps because of the birth of a child. What choices are available?

One family decides to be a two-earner couple; the wife takes a job and puts her children in daycare. Under one plan considered by Congress, this couple would get a marriage tax deduction of 10% of her salary up to $30,000; that would chop as much as $990 off the family's federal income tax bill (at the proposed 33% tax rate). In addition, this couple would qualify for the existing tax credit for child-care expenses, which is worth up to $960.

In another family, the husband moonlights at a second job so his wife can care for their children at home. This family will not qualify for either the 10% marriage tax deduction or the child-care credit that exists in current tax law.

Moonlighting at a second job is just one of several ways a husband can provide his children with the benefits of a fulltime mother and avoid commercial daycare. The husband can work longer hours at his first job; he can make the extra effort required to get a higher paying job; he can go to school at night to train for a higher paying career.

The husband and wife surely work just as hard in this second family as in the first. Why should they pay up to $1,950 more in federal income taxes on the same family income? Who are the bureaucrats and politicians who presume to use the tax power to force traditional husband-breadwinner, wife-homemaker couples to subsidize two-earner couples who hire paid child care?

The marriage penalty in the tax code is an immoral policy, but it should not be remedied by giving a tax cut only to two-earner couples. That would send the radical feminist message that the government sees no value in a homemaker's work at home, that the role of a "non-working" wife and mother is less socially beneficial (or less worthy) than paid employment.

Fortunately, the House of Representatives made the right decision on March 29 and passed tax reform that treats all married couples equally (although the amount of the tax cut is not nearly as much as we hoped for.)

Look Out for Death Tax Deception

Bill H. Gates Sr., George Soros and Warren Buffett say they are worried that repealing the death tax might discourage wealthy people from giving money to charitable foundations. We are not impressed with their worries. In fact, their foundations are mostly private slush funds that the super rich use to promote liberal causes and enhance their own political influence.

Bill Gates, for example, put $25 billion into his private foundation which his father runs. When Bill Gates dies, the $25 billion will be exempt from the estate tax even though his family can retain control of that immense pile of cash far into future generations.

This same estate plan has been profitably used by many of the super rich including Buffett, Soros, the Rockefellers, the Fords, David Packard, and others. Extraordinary amounts of money have escaped death taxes through their foundations that are notorious for promoting leftwing causes.

Bill Clinton is also working the foundation racket. His Little Rock library (which doesn't have any books but will have extravagant living quarters plus a designer wardrobe for Hillary's use) raises tax-deductible money from Marc, Denise and other super Rich in order to enable Bill and Hillary to continue to live and travel in the royal style to which they have become accustomed at taxpayers' expense.

While "only" two percent of estates now pay the estate tax, that's twice as many as when the first George Bush was President. The number of taxable estates will double again in the next few years, thus wiping out the life savings of the hardest-working American families.

About 85% of federal estate tax returns filed are for estates of $2.5 million or less. These Americans aren't rich enough to escape the death tax through private foundations, so they usually have to sell their small business or farm to pay the death tax (at rates up to 55%).

Congress assured us it solved the problem of small businesses and farms in the Tax Reform Act of 1997, but that "reform" turned out to be "all hat and no cattle." It is so complex that only about 3% of estates qualify, and even those are in danger of the government re-visiting the case and collecting the original tax plus interest.

The best way for Congress to deal with the death tax would be to raise the exemption to $10 million right now. This would be really meaningful to the very people who deserve a tax cut, the people who have labored hard over a lifetime to build up a family business, family farm, or other family property.

Unfortunately, the bill approved by the House Ways and Means Committee on March 29 would merely cut the 55% rate in small increments over the next 10 years, giving little or no benefit to tens of thousands of Americans who die during the George W. Bush Administration. On Jan. 1, 2011 the current death tax would be replaced with a brand new tax called "carryover basis" on the heirs who inherit the property from the deceased.

Ever since the 16th Amendment gave Congress the power to tax incomes in 1913, no federal tax has ever been levied on the heirs who receive property from the deceased. The heirs have always received a fresh start (sometimes called "stepped-up basis") in the appreciated property their parents left them. If a new tax on the children who inherit their parents' property is substituted, Members of Congress should not get by with pious platitudes claiming that they repealed the death tax.

Once before, during the Jimmy Carter regime, Congress surreptitiously wrote carryover basis into the law. When the public found out how complicated and burdensome it was, they kicked up such an uproar that it was delayed and delayed and then repealed in 1980.

Congress should be honest with the American people: just raise the death tax exemption to $10 million immediately and don't doubledeal us by imposing a new post-death tax.

Big Brother in Our Washing Machines

Few changes in our society have done as much to liberate women from the drudgery of "women's work" as the washing machine. American ingenuity and the private enterprise system combined to provide us with a wide variety of models of this convenient labor-saving appliance, the envy of women all over the world. Some 81 million households are equipped with washing machines and 10 million are bought every year.

One of Bill Clinton's last acts as President was to finalize new energy regulations designed to phase out the washing machine models that most Americans have been buying and to induce us to switch to more expensive models. The same Administration that sanctimoniously espoused "a woman's right to choose" wanted to deny us the right to choose the kind of washing machine that sales data prove we prefer.

The 37,504-word regulation, which was posted in the *Federal Register* on October 5, 2000, sets "standards" or limits on the amount of electricity and water that can be used by home washing machines, standards that only front-loading washing machines currently meet.

American consumers overwhelmingly buy the top-loading washers that don't meet these standards. Front-loading washers now available make up less than 12% of sales. But liberal bureaucrats think they know better what is good for us.

The Clinton regulation in the *Federal Register* states that "consumers will still be able to purchase either a top-loading clothes washer or a front-loading machine, whichever they prefer." That's a bad joke. The next paragraph admits, "The Department expects the purchase price of the high efficiency clothes washers . . . to be

approximately $200 higher than the average price of clothes washers today."

In other words, you can have your "choice," but whichever washer you "choose" will cost at least $200 more. The *New York Times* estimated the increase at $240 and reported that the cost of a low-end washing machine will be doubled. When my washing machine broke down over the Christmas holidays and I was able to buy a top-loading washer still in stock, the dealer told me that the front-loader would be twice the price.

But the Clinton regulation tells us not to worry about the increased cost because we will get it all back through savings in water and electricity over the next seven years. Don't believe it. You would have to do eight loads of laundry a week to realize that saving, and only 15% of Americans do that much laundry. If you live in an area where there is plenty of water and electricity, as I do, no saving will be realized.

Why did Clinton want to control which washing machines we buy? In finalizing the regulation on his second-to-last day in office (1-18-01), he stated: "These new standards for clothes washers, water heaters, residential heat pumps and central air conditioners . . . are a critical part of our broader effort to address the greatest environmental challenge of the 21st century: global warming." (The same regulation imposes new standards of those other items, too, and will also make them cost more.)

This washing machine regulation was one of many ways by which Clinton tried to carry out the goals of the unratified, unscientific and unjust Global Warming Treaty, called the Kyoto Protocol. This United Nations treaty was signed by Al Gore but never ratified by the U.S. Senate. President Bush wisely announced on March 28, 2001 that he is withdrawing support for it. This "hot air" treaty would have required us to reduce our energy use to seven percent below our 1990 levels, while imposing no limits whatsoever on China, India, Mexico and other countries.

The washing machine regulations came from the same mindset of the bureaucrats who in 1992 banned the sale of toilets that use more than 1.6 gallons of water per flush. Today there is a flourishing black market in old-style toilets because the new toilets simply can't carry out the mission assigned to toilets. The 1.6-gallon toilets don't help the environment, either, because it usually take two flushes to do the job that the old-style toilets can accomplish with one flush.

Don't count on industry to protect us against the government's new regulations. The appliance manufacturers are glad to support the new rule to force us to buy more expensive washing machines. One manufacturer said, "selling in the marketplace is easy if there's a [government] standard in place." A press release from Whirlpool even "commends" DOE for requiring Americans to buy and use the more expensive energy-efficiency appliances "because consumers have historically shown a disinclination to pay more for products that are more environmentally friendly." The manufacturers have also been induced to go along because a tax credit for appliance manufacturers who cooperate with these regulations was built into the plan.

This washing machine mandate is a good example of the anti-free-market, high-tax regulations devised by the Clinton-Gore environmentalists who truly believe that government knows best, even about such things as how to wash our clothes. Their thinking, which is sill poisoning public policy, is obvious from the publications of President Clinton's Council on Sustainable Development. Its 1997 report called "Public Linkage, Dialogue, and Education" calls for a "purposeful refocusing of the nation's education system" to teach *sustainability* as a catalyst for the "restructuring of educational institutions, curricula, and teacher training." Students are to be taught to deal with the "international factors" that affect our "transition to a sustainable society."

These international factors of "sustainability" are based on the notion that Americans should feel guilty because we consume 25% of the earth's resources even though we are only five percent of the earth's population. We are expected to be embarrassed because one American uses as much energy as three Japanese, or six Mexicans, or eight American Indians.

To achieve "sustainable development," Americans are supposed to reduce our "resource consumption." And, since 35% of our resources is consumed in the home, households are expected "to make changes in the way they live." More expensive washing machines, inefficient toilets, and brownouts in California are some of the ways that these environmentalists are trying to reduce the use of energy, especially in our homes.

Americans achieved our high standard of living through hard work in a free society. Most parents do not believe that the schools should make children feel guilty about it and therefore more willing to submit to high taxes and oppressive regulations.

Most of Bill Clinton's midnight regulations and Executive Orders should be overturned. We thank President Bush for rejecting the Global Warming Treaty, and we thank Congress for overturning the outrageous ergonomic OSHA rules that took effect four days before Clinton left office. We thank Rep. Joseph Knollenberg (R-MI) for his leadership in trying to terminate these overbearing regulations. We hope the Bush Administration will reassess and rescind the washing machine and toilet regulations. We need a new dawn of freedom.

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