



Opinion Article (697 words)

Date: September 14, 2007
By: Roger Buchholtz, MI FairTax Association Director
Phone: 269 345-0950
Address: 5620 Clato St., Kalamazoo, MI 49004

As Michigan Politicians Play Politics Our Economy Tanks

Unless our elected officials enact real tax reform and be honest with citizens, Michigan residents will have to endure a tax increase every year to maintain the government at current levels while our economy continues to shrink. As companies, jobs and citizens leave our state, tax revenue will decrease, leaving the remaining citizens with a larger share of the state budget to carry. One alternative, that apparently is politically impossible, is to cut the size of Michigan government. The only other alternatives are to either 1) raise taxes every year or 2) attract business, jobs and residents to Michigan.

Attracting business, jobs and residents is amazingly simple. All we must do is make Michigan an economically attractive place for businesses and people to locate and stop penalizing productive activity. How is this done?

Stop the dishonest practice of hiding our taxes in the price of goods and services produced in Michigan. What??? Hiding taxes in prices is accomplished by taxing businesses. Politicians like to tell us that they are taxing businesses rather than individuals. The truth is that taxes and tax compliance cost, like all other businesses expenses, are just added to the price of the products being produced. We pay those "business" taxes when we buy the companies' products and we pay again when we lose our jobs when the companies close or move out of Michigan because they can't compete with their prices so inflated with taxes. As Federal Reserve Board Chairman, Dr. Alan Greenspan, lectured Congress, "Businesses don't pay taxes, only people pay taxes." While making it easier for politicians to increase taxes, the dishonest practice of disguising citizens' taxes as business taxes, is destroying our economy. The most prosperous states in the US and the most prosperous economies in the world are those with the lowest business taxes. By eliminating the lie of business taxes Michigan would stop losing jobs and would draw businesses and jobs from around the world.

Stop penalizing productivity by taxing us when we work, save and invest. Economists agree that if you want less of something then tax it (taxes on tobacco and alcohol are examples), and if you want more of something you decrease taxes on it (or even subsidize it). Think of what would happen if we stopped the taxation of productive behavior by eliminating the income tax?

Well now that we have eliminated the Michigan business and income taxes, how will we support state government? Our current state government revenues can readily be replaced with a simple retail sales tax on goods and services purchased by consumers. Rather than having these taxes hidden in the prices of things we buy we will be able to see our true tax burden on every sales receipt. The true cost of the product will show on the receipt and we will have our entire paycheck to make the purchase with."

What would the new sales tax rate be? The proposal, known as the MI FairTax, will replace current revenues with a fair/loophole free retail sales tax of 9.5% and will eliminate:

- Michigan individual income tax,
- Most business taxes,
- Sales taxes on used goods, and
- Hidden taxes from the prices of Michigan produced goods and services, thereby, lowering the cost of Michigan produced products.

To protect the poor and to assure that no tax will be paid on necessities, the MI FairTax provides for a monthly payment to every household in the amount of what the tax would be for purchases up to the poverty level. This untaxes the poor and causes the tax to be progressive. A family of four spending \$27,400 per year will have an effective tax rate of zero, and if the family spent \$100,000 per year their effective tax rate would be 6.9%, and so on up to 9.5%.

Because it appears unlikely that the legislature will give the citizens of Michigan the opportunity to vote on the MI FairTax by placing it on the 2008 ballot, the Michigan FairTax Association plans to so empower Michigan Citizens by placing the issue on the ballot via the circulation of petitions.” More information about the MI FairTax can be obtained at www.mifairtax.org.