Don't Tax Me, Bro

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By Tyler Grimm

Do only 5 percent of Americans drink soda, smoke cigarettes, go tanning or get cosmetic surgery? That appears to be the delusional impression the Obama administration is under. On the campaign trail, the president promised—in nearly every stump speech and debate—that the 95 percent of Americans making less than $200,000 a year would not see their taxes increase "by a single dime." Yet, taxing soda, tobacco, tanning and plastic surgery are only a few of the ways the White House and Democrats on CaCapitol Hill have sought to get their hands on your money.

So why have many of these tax proposals gone as unnoticed as party crashers at a state dinner?

Despite a campaign meant to appeal to fiscal moderates (recall the president touting "middle-class tax cuts" and "transparency" *ad nauseam*), they have been able to use a lack of transparency to push for tax increases. In previous eras, it was abundantly clear when taxes went up. Who could forget George H. W. Bush breaking his "read my lips, no new taxes" promise?

Recently, however, increases have been tucked into big pieces of legislation and never referred to as "taxes"—they are discussed as "revenue enhancers" or "fees." For instance, Americans for Tax Reform, a nonprofit advocacy group in Washington, D.C., calculated that there were 13 different taxes in the House of Representatives' version of the health care bill. Many of these include changing how deductions are calculated or how health savings accounts work. Don't be fooled by the complexity, these are taxes.

Likewise, the Obama administration's 2011 budget also calls for the repeal of many tax credits for energy companies. The tax increases won't be borne by the energy companies though—they will pass them off to customers in the form of higher prices.

But can you blame politicians? With a $1.6 trillion deficit and a never-ending liberal wish list, Washington's imagination for new taxes knows no bounds. Even Transportation Secretary Ray LaHood joined the fun last year, proposing to tax the amount of miles Americans drive, saying that he was "thinking outside the box on how we fund our infrastructure in America."

Here is a quick rundown of a few of the more straightforward tax increases that have already passed or been given serious consideration since President Obama took office:

- **Raise the cigarette tax by 62 cents per pack**

- **Raise beer taxes by 48 cents a six-pack**

- **Raise wine taxes by 49 cents per bottle**

- **A new tax on soda at 3 cents per 12-ounce serving**

- **A new 10 percent tax on visits to indoor tanning beds**

- **A new 5 percent tax on elective cosmetic surgery**

- **Raise the death tax from 0 percent this year to 45 percent permanently**

- **Raise the 33 percent income tax rate (applied to families making between $209,250 and $373,650) to 36 percent**

- **Raise the 35 percent income tax rate (applied to families making over $373,650) to 39.6 percent**
n **Raise the capital gains tax rate from 15 to 20 percent**

The last three tax hikes listed above result from the expiration of the Bush tax cuts in 2001 and 2003. This is eminently convenient for the Obama administration—they will increase taxes without having to sign any legislation.

A sensible, pro-growth approach would be to extend, or make permanent, the tax cuts. President Obama's inaction is the equivalent of not side stepping an oncoming train.

Allowing these tax cuts to expire means increasing taxes for 3.2 million small businesses and high-income Americans. This is certainly no way to treat an economy recovering from the worst recession since the Great Depression.

As for the "middle class tax cuts" that the president so vehemently campaigned for: If he were serious about helping the middle class, he would fix the Alternative Minimum Tax (AMT). The AMT was instituted in 1969 to hit 155 high-income earners who had gotten out of paying taxes. Because it wasn't adjusted for inflation, the tax now affects 27 million Americans (mostly middle class) and has to be "patched" every year by Congress. Permanently reforming the AMT would be a good place to start when it comes to middle class tax relief.

In terms of future tax increases, the recently launched Deficit Commission will almost certainly recommend a Value-Added Tax at the end of the year. This would be a disaster. Harvard economist Greg Mankiw recently wrote, "It would raise consumer prices, lower real wages, discourage work and depress economic growth."

Tax policy is complex, and Washington uses that to its advantage. The simple truth of the matter is that, any time the government taxes, it pulls money out of the private sector—the efficient part of the economy responsible for producing goods and services—and puts it into the inefficient hands of government.

The real problem the country faces is not how to tax money out of Americans' pockets; it's how to keep money out of the hands of politicians.