

# Taxation

As long as taxation is believed to be, and is accepted as, the means of securing public revenue, perhaps it should not be surprising that ignorance of the subject is placidly indulged in by almost all of us and that taxation is shrugged off as inevitable and therefore to be patiently endured.

But we are all grievously injured by our acceptance of this belief and by our failure to realize that the securing of public revenue is but a small part of the effects of taxation—the least important part—because taxation is the social power that most affects the comfort or misery of everyone; that destroys the incentive to create, serve, and produce where it could stimulate it; that fines the industrious and the thrifty where it could reward them; that fosters fraud, creates privilege, and acts as a constant drag on human progress.

The dictionary defines taxation as "the raising of revenue by the levying of compulsory contributions," and naturally we understand this to mean the (legalized) raising of (public) revenue. But as this definition would also describe robbery, blackmail, and extortion, it might be useful to recognize that taxation is something far more fundamental than just the securing of public revenue.

Taxation is inherited from the days of irresponsible power. It is arbitrary and the product of opinion unguided by any scientific or even common-sense standards, and therefore is indefensible in logic, justice, or sound business principles—to say nothing of ethical principles. The means of securing the necessary public revenue for the great United States of America should be dignified, nonfluctuating, and simple in structure and so demonstrably and evidently honest, logical, and justified that it would be removed from the field of political meddling, whim or opinion.

Without going into the detail of the history of American taxation, it can be summed up in two periods:

1. Before the enactment of the Sixteenth Amendment to the Constitution, permitting levying of an income tax
2. After the enactment of the amendment

Before the amendment there was some hope of developing a sane and incentive-preserving system, but there was blundering and groping and dullness. No thought was given by the lawmakers or the general public to the question of whether there was such a thing as *earned public income*; such a thing as a publicly created income or source of revenue.

After the establishment of the Sixteenth Amendment a cancerous, bloated, politician's plunder era commenced in which we commit, as a mass, crimes that would see each one of us in jail if performed as an individual.

It is true that many of the irritating taxes of today are not the spawn of the Sixteenth Amendment—they are products of the ignorance of a true sense of *thine* and *mine* and *ours*. Then there are taxes such as the tax on theater tickets, originally levied because we thought that amusements should be suppressed while our soldiers' lives were at stake (the boys themselves are paying that tax now), and the fining of travel today so that it will not interfere with the movement of our troops *twenty years ago*. And as there is no sane gauge, criterion, or standard to go by, these war-born taxes are rarely discontinued.

A striking example of the haphazard, illogical freakishness of our present tax infantilism glares out in the utterly unfair treatment of the lessee as compared with the buyer of a house. To illustrate: The Blank Building and Loan Association owns two identical houses, side by side, each worth \$30,000. Mr. Allen buys one of the houses and pays \$10,000. The Association retains a 66% per cent ownership, on which Mr. Allen pays interest: *deductible* for Mr. Allen.

Mr. Bowie moves into the other house as lessee for an agreed period. The Association retains a 100 per cent ownership, on which Mr. Bowie pays interest: *not deductible* for Mr. Bowie.

Try to think up a common-sense or a scientific reason for that discrimination, particularly when it would be logical to assume that Mr. Allen would be likely to be more financially comfortable than Mr. Bowie.

Wine is an important California product, but the criticism of California wine is that it is too young, and wine needs aging. California county assessors place a taxation value on all the wine inventory in a vineyard each year, so that to age wine five years would mean that the same wine would be taxed five times, whereas in any retail store where their inventory is turned over many times in a year only one of the many inventories is taxed. There are other stimuli, even perhaps more pressing, for the too early movement of wine, but this one is cited to illustrate the complete lack of logic or science in the practice of taxation.

One can easily bring to mind many other absurdities such as, for instance, the ruling of the Revenue Service (sic) permitting a "short-term" termite-injury repair cost to be deducted from income, but forbidding deduction if the termites have been more deliberate and the damage has developed over a "long" period. Under another ruling there is "no tax on swimming pools if children are admitted and there is no dining or dancing," but these are trivial compared with the basic heinousness of the income tax, the sales tax, the personal property tax, and the inheritance and gift taxes.

It is these major burdens that concern us, and it is impressively evident that the taxation structure under which America advanced so brilliantly does not exist today and obviously cannot be now depended on to insure America's future greatness. Until the evil law permitted by the Sixteenth Amendment is repealed and an intelligent public revenue system is instituted, our greatest asset, *incentive*, the builder of America, will be discouraged to the disappearing point.