

## **Tax Reform for Idaho - Rep. Phil Hart**

All of us have probably heard that saying “Tuition is expensive in the school of hard knocks.” It is. But it is there that the lessons of life can be best remembered and applied toward future solutions. It is my “school of hard knocks” lessons that compel me to continue working toward tax reform. I believe we need a tax system that raises the revenue we need for the proper functions of government, yet allows Idaho citizens the freedom to pursue their creativity and entrepreneurial ideas without penalizing success and getting bogged down with regulation.

My own experience has given me a firsthand view of the arbitrariness of the income tax system. I continue to try and navigate my way out of a maze of statutes, regulations and unpredictable bureaucratic determinations. For example, I make my living as a civil and structural engineer. In 1997 I used the services of three different engineers, whom I paid \$54,000 between the three of them. They did a good job for me. They earned the money I paid them. The clients were happy too. I still have the cancelled checks and the invoices for their services, yet according to the IRS and our Tax Commission, the \$54k is not allowed as a business deduction. Add to that another \$33k of business expenses, all paid for by check that year with related documentation backing up the cancelled checks. Even today, thirteen years later, I am still fighting to get these 1997 expenses accepted as legitimate business deductions.

What got me in trouble with these deductions was a book I wrote about the federal income tax. The IRS didn't like the book, yet no one has refuted its argument and conclusions.

The purpose of the income tax was to bring tax relief to wage earners by reducing the tariff on consumer goods and imposing a tax on the income from accumulated wealth. The author of the Income Tax Amendment, Senator Brown of Nebraska said “It is the theory of the friends of the income tax... that property should be taxed and not individuals.” *44 Congressional Record 1570 (1909)*.

On the private side, we spend \$0.22 in compliance costs for every \$1 we pay in income taxes. Whereas for the tax on gasoline the compliance cost is \$0.01 for every \$1 collected. It is as if we are pouring nearly a quarter of a gallon of gas onto the pavement for every one gallon that goes into the tank. How efficient is that?

What we need is a Fair Tax at the state level. That is what my House Bill 454 from the 2010 session seeks to do. This would shift the tax off of earned income (wages and salaries), which is problematic to define (if you disagree, I have “school of hard knocks stories I can tell you) and makes up the shortfall with an increase in the sales tax. And in the administration of the latter, there is no threat of violating the search and seizure provisions of the Bill of Rights, nor the frustration of bureaucratic unpredictability, nor do we become witnesses against ourselves.

A tax on wages and salaries is a tax on our right to exist. It is the feudal system of the old world. We threw off the old world system in 1776, but it crept back in. Today, it is time to do it again.