



Written by [Wallis W. Wood](#) on April 26, 2013

Stop Washington's Latest Tax Grabs

Some 21 years ago, the U.S. Supreme Court did us all a huge favor. It ruled that states don't have the legal authority to tax purchases you made from an out-of-state retailer, unless the retailer had a "physical presence" in your state.

Back in 1992, most of us didn't purchase all that much from out-of-state companies, so the loss in tax revenue wasn't significant. But, boy, how times have changed. Today, we buy more than \$250 billion worth of stuff from online retailers each year, and that number is expected to rise to \$370 billion by 2017. On most of it, we pay no sales tax.



With local and state sales taxes averaging about 10 percent, that's \$25 billion that stays in consumers' pockets now. Needless to say, there are an awful lot of politicians who want to get their greedy little hands on those funds. You won't be surprised to learn that the administration of President Barack Obama wants to make it happen.

In fact, Senate Majority Leader Harry Reid is so eager to get an Internet sales tax bill passed that he has skipped the normal committee process and is bringing the bill directly to the Senate floor. Word is that he's lined up several moderate Republicans who will vote in favor of the measure so the big spenders can claim that it has bipartisan support.

And, of course, many state governors love the idea of collecting hundreds of millions of dollars in new taxes. Many state budgets are already perilously close to bankruptcy, thanks in large part to the incredibly generous pensions and other benefits that state and local government employees have extracted over the years.

In an editorial supporting passage of the Internet tax bill, *USA Today* complained that its lack "forces cash-strapped states to raise other taxes, or go into debt, to compensate for the \$23 billion in annual uncollected e-commerce sales taxes." Got that? Forget any nonsense about reducing spending. The only choices those poor states have if this measure isn't passed is to "raise other taxes, or go into debt."

But an Internet sales tax is just one of the schemes Washington has come up with to extract more money from you. Several others can be found in the new federal budget proposal that the White House finally released this month.

The English newspaper the *Daily Mail* had the best description of Obama's budget I've seen. It called it a mixture of "bad math, phantom revenues, imagined spending cuts and a middle-class tax hike."

It's all of that ... and more. Among the budget's optimistic forecasts is that federal revenues will more than double over the next decade, rising 113 percent by 2023. During the same period, spending will go up "only" 60 percent. But even if both were to happen, deficits would not be eliminated. That's why the budget calls for the debt ceiling to be raised by another \$8 trillion, to \$25 trillion.

While we were promised that the long-overdue White House proposals would be replete with "big



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ideas,” the sad truth is that they are the same old solutions we’ve heard for many years: bigger and bigger government, only partially paid for by higher and higher taxes. Rather than see any reduction in federal debt, Obama wants to increase it by another \$8 trillion.

When he released his budget, the President claimed, “I am willing to make tough choices that may not be popular within my own party, because there can be no sacred cows for either party.” What a bunch of baloney!

The White House claims that the budget contains \$2 of spending cuts for every \$1 in new taxes. But it’s all a bunch of smoke and mirrors. The so-called spending cuts are a cruel illusion. They are achieved by allowing minor reductions to previously proposed increases. Spending doesn’t go down one thin dime in Obama’s new budget. Instead, it will increase by at least \$680 billion over the next five years.

Maybe figures don’t lie. But liars sure can figure.

Yes, there’s a lot not to like in Obama’s budget for fiscal 2014. One of the sneakiest proposals it contains is for the federal government to change the way cost-of-living increases are calculated, by switching to something called a “chained CPI” (Consumer Price Index). Here’s how the *Daily Mail* describes the effect of this sleight of hand:

The chained CPI signals a shift in how the federal government will calculate everything from Social Security payouts and congressional pensions to college students’ Pell Grants and veterans’ benefits. Anything tied to cost-of-living increases would be subject to a new formula.

The White House’s budget blueprint suggests that these programs would see \$230 billion in costs savings over 10 years. The Congressional Budget Office puts the number at \$216 billion.

Does anyone believe that today’s calculations for the consumer price index are anywhere close to being correct? Most of us who live in the real world know that the prices we pay for most things are going up by a heck of a lot more than 2 percent a year.

Now Uncle Sam wants to change the formula to reduce the payouts even further. That doesn’t sound very fair to me. But wait, it gets worse. Switching to a chained CPI will also hit the middle class with a huge new tax increase.

How is that possible? Here’s how the *Daily Mail* explains it:

The money will come pouring in because the consumer price index also controls income tax brackets, tax filers’ standard deductions, nontaxable contribution limits for 401(k) retirement plans, and more.

So millions of individual Americans will see themselves moved involuntarily to higher tax brackets, and middle-class taxpayers in particular will lose some of the tax credits and deductions that they count on.

Forget all of Obama’s blarney about only the rich being hit by these higher taxes. The brunt of these increases will fall squarely on the middle class. And, of course, the same thing will be true of the costs of Obamacare, which will be fully implemented next year.

Do you remember when Nancy Pelosi said “we have to pass” the badly misnamed Patient Protection and Affordable Care Act to see what’s in it? Pretty soon, we’ll all get to see the higher costs and increased regulations this monstrosity will produce. It won’t be pretty.



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So now Congress has three different budgets for 2014 to consider: one passed by Democrats in the Senate, one approved by Republicans in the House, and one presented by the White House. All of them call for increased government spending next year. None of them will reduce the debt by one penny over the next decade.

Margaret Thatcher famously observed that “the problem with socialism is that eventually you run out of other people’s money.” The big spenders in Washington seem determined to speed the day when that happens in this country.

It seems to me this could be a mighty good time to trade some of your rapidly depreciating dollars for assets of enduring value. I hope you noticed that gold and silver have been on sale recently.

Until next time, keep some powder dry.

Chip Wood was the first news editor of *The Review of the News* and also wrote for *American Opinion*, our two predecessor publications. He is now the geopolitical editor of *Personal Liberty Digest*, where his *Straight Talk* column appears weekly. This article first appeared in [PersonalLiberty.com](#) and has been reprinted with permission.



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