

Ending "Progressive Tax Rates" in America

The 28th Amendment to the U.S. Constitution

Nelson Hultberg

Imagine for a moment America without an income tax. No more tedious record keeping of all our expenses. No more April 15th deadlines. No more insufferable complexity and exasperating forms. It would no longer be government's business how much money we earn and what we do with it. Such a reform would dramatically change the lives of every one of us for the better.

Could such a spectacular reform actually be brought about? Yes, but we cannot end the income tax in one clean swoop as most libertarians are trying to do today. We must first motivate the American people to want to end it. The crucial first step in doing this is to end "progressive rates" via a constitutional amendment, which will generate the necessary desire among the people to end the tax itself. Here is the wording for the amendment:

Proposed 28th Amendment to the U.S. Constitution

Section 1. Congress shall make no income tax laws with rates that do not apply equally to all required payers.

Section 2. Congress shall make no laws conveying income tax exemptions or deductions that do not apply equally to all required payers of said tax.

Section 3. Congress shall make no income tax laws exempting income above the poverty level.

With this amendment, three profound changes will take place in America:

- 1) Government will no longer be able to redistribute wealth, which is the primary source of its relentless growth.
- 2) A steady reduction of government spending will result, allowing us to gradually lower tax rates and still provide sufficient revenue for government.
- 3) This will allow us to eventually switch from an income tax to a national sales tax and abolish the IRS. The reasons for all this will be made clear throughout this report.

Is this just a patriot dream? Not at all. Think back to the 1970s when Ronald Reagan was making those eloquent speeches to conservatives and libertarians, preparing to run for president. He always quoted the famous Scottish economist, John Ramsey McCulloch:

"The moment you abandon the cardinal principle of extracting from all individuals the **same proportion** of their income or of their property, you are at sea without a rudder or compass, and there is no amount of injustice or folly you may not commit." [1]

This quote always brought the people to their feet. Well, there are millions of like patriots out there today who know full well what McCulloch meant. And they are most eager to end the evil of progressive tax rates in America. For example, the 2014 [Reason-Rupe poll](#) showed that 62% of Americans favor a "flat tax," or what we at AFR call an "equal-rate tax." [2]

Challenging the Establishment Tyranny

Naturally the liberal establishment stands against equal-rate taxation. Modern liberals wish to collectivize America according to Fabian socialism. They imagine themselves as being politically idealistic and just in their espousal of "progressive tax rates." But this is not true.

All great thinkers of our past understood that a progressive tax code, i.e., *arbitrary* rates, is dictatorial, not idealistic and just. They supported *uniform* rates because tax uniformity is the only way to uphold "equal rights" and avoid the evolution of class war, factions, and the tyranny of centralized government.

Thomas Jefferson astutely summed up the essence of the tax issue when he wrote, "The true foundation of republican government is the **equal right** of every citizen, in his person and property, and in their management." [3]

Alexander Hamilton firmly denounced the use of arbitrary (i.e., unequal) rates: "Whatever liberty we may boast of in theory, it cannot exist in fact while [arbitrary] assessments continue." [4]

Philosopher David Hume declared, "The most pernicious of all taxes are the arbitrary. They are commonly converted, by their management, into punishments on industry... It is surprising, therefore, to see them have place among any civilized people." [5]

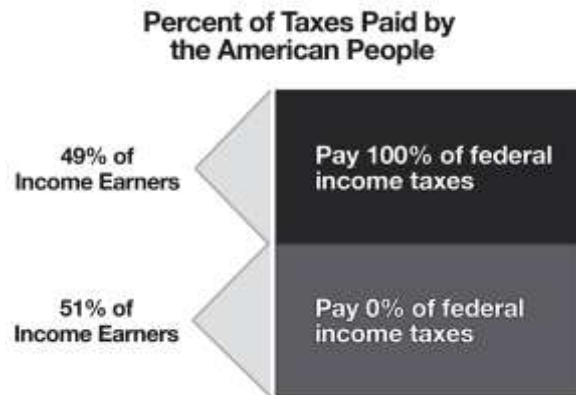
Later in the 19th century, Supreme Court Justice Stephen J. Field wrote, "If the Court sanctions the power of discriminating taxation and nullifies the **uniformity mandate** of the Constitution...it will mark the hour when the sure decadence of our government will commence." [6]

Is this not what is happening today – the "sure decadence of our government" has commenced? Have not our politicians become blind to the sacred principles of a once free and just America? There are numerous sources for this madness, but the first and foremost is government's power to redistribute wealth via confiscatory taxation.

Understanding "Infinite Demand"

The dictatorial powers developing in Washington today have come about because 50% of the citizenry possess "infinite demand" for government services. Understanding this crucial concept is the key to grasping why government is overwhelming our country today. *Infinite demand* is the kerosene hose that fuels the fire of government growth. Until we eliminate it from our political system we have no chance to stop the destruction of America.

For example, as we see in the chart below from [Congress' Joint Committee on Taxation](#), 49% of the nation's income earners pay 100% of federal income taxes, while 51% of income earners pay zero taxes because of the vast array of exemptions and special breaks that our politicians have written into law. Herein lies the source of infinite demand. [7]



A progressive income tax with arbitrary exemptions spawns a "something for nothing" voter mindset that dominates all elections. When large groups of voters are allowed to pay nothing in taxes, an irresponsible electorate will inevitably evolve to demand a steady expansion of government services. This is basic human nature and one of the cardinal laws of economics. **If government benefits are free, demand for them will be infinite.** Consequently, in every election there is approximately a 50% base of voters who always favor those politicians who propose increased government spending.

A very important point to understand: the zero payers are drawn not just from the low income sector of society, but also from high income earners. Many wealthy individuals and middle class earners are able to hire expensive accountants to use complex tax loopholes in our present system to reduce their taxes to zero every year.

Overcoming these zero payers and their "infinite demand" for government spending will be impossible until we genuinely reform the tax system and eliminate its "something for nothing" aspect. This means ending all special breaks, loopholes, deductions and rate progressivity. This will necessitate the adoption of a simple *15% equal-rate income tax* that ends the usage of special favors and tax loopholes. The only exemption that would qualify would be our standard deduction of approximately \$6,000, granted to everyone.

Such a 15% equal-rate tax would mean that the millionaire would have to write a check for **\$149,100** ($\$1,000,000$ income minus $\$6,000 = \$994,000 \times .15 = \$149,100$). He would not be able to use expensive accountants and loopholes to reduce his bill to zero.

Likewise the man who earns \$10,000 would have to write a check for **\$600** ($\$10,000$ income minus $\$6,000 = \$4,000 \times .15 = \$600$). He would not be able to use egalitarian sophistry and progressive tax rates to reduce his bill to zero.

This would lower the present zero-taxpayer group from 51% of the voters to about 20%, which would give us a *responsible electorate* instead of today's heedless travesty. Since 80% of the voters would then have to pay for all government subsidies and pork barrel programs proportionately out of their own pockets, they would lose their overwhelming desire for such subsidies and programs. They would begin to favor politicians who advocate "reduction" of government instead of its "constant expansion" because this is the only way they could get their own taxes reduced and more freedom into their lives.

All kinds of Ron Pauls would begin to appear in congressional elections every two years because the voters who were previously paying zero taxes would now demand it. They would not be willing to pay 15% of their income for the egregious waste that comprises modern day Washington.

Objection #1: Equal-Rate Taxation Is Unfair

Liberals protest at this point and defend progressive tax rates claiming that: "Equal-rate taxation is unjust to the poorer members of society because the marginal value of income declines with the amount of income." For example, the last \$100 of income of a man living near poverty is more valuable to him than the last \$100 of income of a millionaire. Thus taxing that \$100 at the same rate for each is unfair. In fact taxing any portion of a low income earner's income at the same rate as that of a rich person is unfair.

Unfortunately this is the logic of tyranny. The concept of "equal rights under the law," which our nation is based upon, will never be felt the same by all members of society. Nor can freedom ever be felt the same. Nor can life itself ever be felt the same. Free life does not bring about equal results in people's life experience and feelings. For government to try and bring about "equal results" in life requires that it violate the "equal rights" of its citizens to their property. This is the goal of all collectivist dictatorships today – an egalitarian society. If our rights must be trashed as a consequence, then so be it. According to the collectivist mindset, society must be able to ignore its citizens' rights when the elected officials decide it will bring about more "fairness."

But fairness can never be achieved by the violation of rights! Once the rights of high income earners are violated, then all men's rights are in danger. And it won't be long until the rights of middle income earners and low income earners are violated. Because the "majority will" votes for the violation does not justify it. Our rights to equality under the law and the disposal of our property can never be put up for vote. All a just government can do is assure that its implementation of the law is *impersonal* to all its citizens. This means the law must be the same (i.e., objective) for everyone. This is why the Goddess of Justice wears a blindfold. To violate this basic foundation of our civilization so cavalierly as today's politicians and bureaucrats do is the great sin of modernity.

When government violates the rights of its citizens it is partaking in an act of criminality. The idea that we can get away with criminality against one class of citizens and not have it spread to all of society is now being shown up for the travesty it is. Such illogic is

bankrupting America both financially and ethically. This then is the moral and philosophical case for abolishing progressive tax rates. They are simply unjust, unconstitutional, illegal, and dictatorial.

Objection #2: Equal-Rate Taxation Will Burden the Poor

The second objection that liberals make to equal-rate taxation is that it will place an added burden on low-income earners who pay minimal taxes. But this is not true. Let's investigate our 15% equal-rate tax and see just what kind of an effect it will have on such taxpayers. What we will discover is that it will NOT impose a net burden on them at all. In fact such a tax will do just the opposite. There are three reasons why:

1) Tax simplicity. A 15% "equal-rate tax" will be a tremendous boon to all businesses and corporations because it will save American industry billions of dollars annually in *compliance costs*, i.e., the costs for record keeping, accountants, tax lawyers, economists, lobbyists, audits, appeals, litigation, collection, disincentives, avoidance, etc.

Major corporations devote entire floors in their headquarters to armies of accountants, tax specialists and lawyers working around the clock to keep them compliant with the monstrous and convoluted burden of our present 17,000 page income tax code.

Many economic studies, such as James L. Payne's [Costly Returns](#), [8] have been done on this burden of compliance costs to society. Prominent tax reform groups, such as Americans for Fair Taxation, estimate that consumers must pay approximately 3% extra every year for goods and services (over \$430 billion dollars annually) because of the compliance cost burden of the income tax for businesses. [9]

By going to a simplified 15% equal-rate tax, all businesses can eliminate the great bulk of this compliance cost burden. This means that businesses and corporations can pass on a savings of up to 3% in their cost of goods and services to consumers. This will reduce the overall bite of the equal-rate tax on low-income earners.

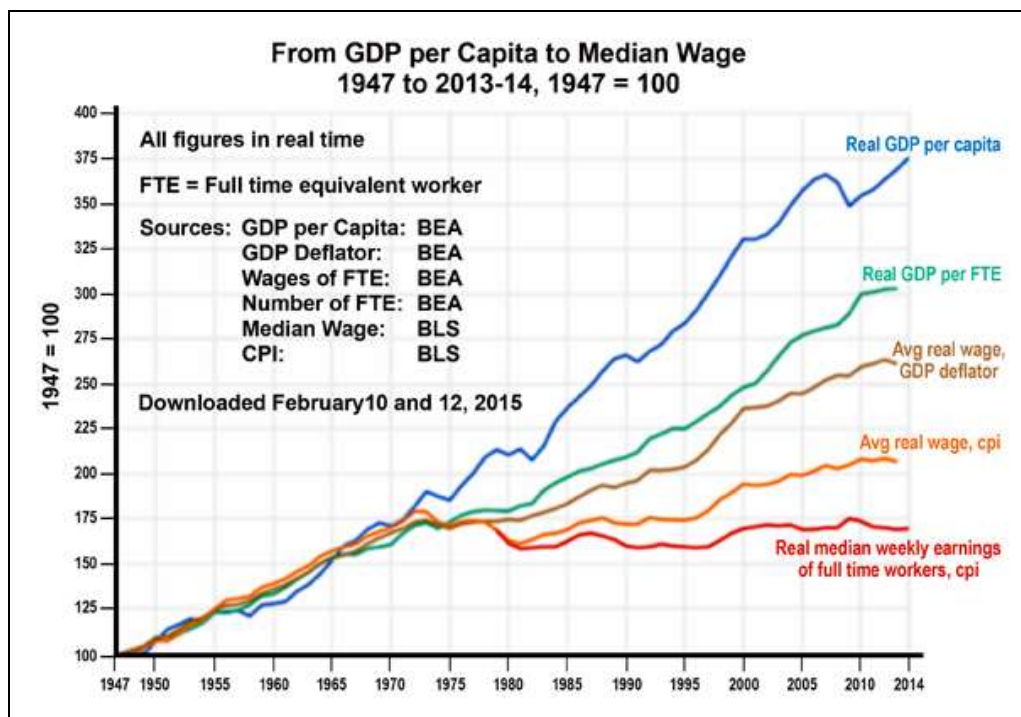
2) Real wage growth via zero price inflation. Milton Friedman suggested years ago that the money supply's growth should be fixed at 4% annually. By doing this there would be close to zero percent price inflation. All legitimate economists realize that price inflation comes about when the Fed expands the money supply at a higher rate annually than the growth of goods and services. In a free-market economy that has a 4% yearly GDP and annual monetary growth of 4%, *there would be zero percent price inflation.*

Friedman's auto-expansion plan for the Fed would mean that FOMC bureaucrats would not be able to arbitrarily expand the monetary base on personal whim or ideology. It would be done automatically by computer. Such a plan could be phased into over a 10-year period to avoid any shock to the economy. This would get control of the Fed until we can one day abolish it altogether and restore a rational decentralized banking system.

Please note: we realize that the "quantity of money" is not the only factor involved in determining price inflation. "Velocity of money" is also part of the causation process; but velocity of money only increases destructively AFTER quantity of money is being increased inordinately. It is this that fans the flames of fear in the buying public's mind, which then induces them to increase the velocity of money. Thus if we curtail the quantity of money properly, society will not experience increased velocity of money.

Such a 4% "auto-expansion plan" for the Fed, of course, will help not just low-income earners, but all income earners. By combining the monetary reform of **zero price inflation** with an **equal-rate tax**, we would create a tremendous unleashing of the entrepreneurial function in the economy. Capital investment would increase substantially. This would restore our presently stagnant real wage growth to the pre-1972 average of 2.3% annually, which would further reduce the bite of an equal-rate tax on low-income earners.

To corroborate this, below is the Bureau of Economic Analysis chart of "real wage" growth in the U.S., 1947-2014. We can see that real wages in America (the bottom red line) peaked in 1972 and have actually gone down somewhat since then. The *Wall Street Journal* tells us that the average weekly paycheck of \$811 in 1972 is now only \$732 today (figures in 2015 dollars). [10] Shocking, but the workingman in America actually makes less today than he did 44 years ago. Yet as we see in the chart below between the years 1947-1972, real wages increased 76%, or 2.3% compounded annually. [11]

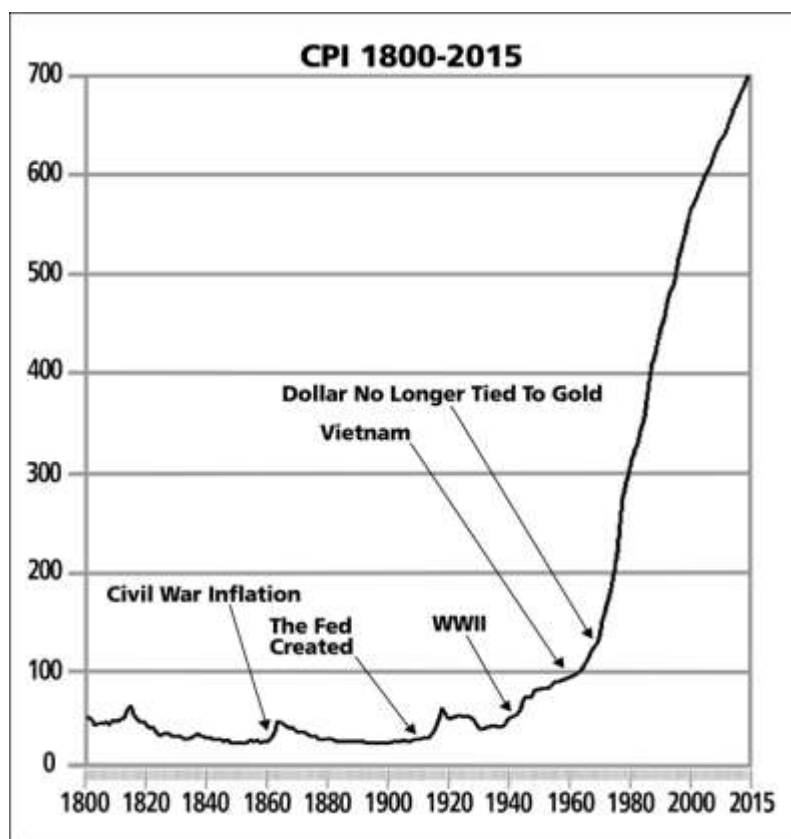


The reason for this "real wage" stagnation since 1972 is that year brought us a quantum leap in the Great Inflationary Welfare Society because Richard Nixon launched unlimited fiat money inflation by taking us totally off the gold standard in 1971. This, combined with

progressive taxation, led to an exponential expansion of FDR's and LBJ's welfare programs, 1972-2016. This is why "real wage growth" for the workingman has become non-existent. As the state's onerous tax system and currency debasement grow, robust capital accumulation and entrepreneurial expansion decrease. It is only capital accumulation and entrepreneurial expansion that can lead to a steady rise in real wages on an annual basis.

With the enactment of an "equal-rate tax" combined with a 4% "auto-expansion of the money supply," capital accumulation and entrepreneurial expansion in the marketplace will take off again in a big way. We will be able to restore our annual growth in real wages of 2.3%, which we had in the years 1947-1972.

The Keynesians in our colleges and government today will attempt to deny the necessity of any kind of fixed "auto" expansion of money, maintaining that the monetary base must be arbitrarily inflated via the discretion of the Federal Reserve in order to *produce adequate economic growth*. But this is totally erroneous. America's economic growth during the 19th century was spectacular, and there was no Federal Reserve pumping fiat money into the system at all. For example, the chart below shows us the CPI from 1800 to 2015.



The index of consumer prices decreased by 40%, from 51 to 30, between 1800 and 1913 (1/3 % per year). This was because the money supply was tied to gold and couldn't be expanded in excess of the growth of goods and services by the nation's bankers. [12]

Yet there was rapid economic growth of all goods and services. America's GDP increased over 500% in just the years 1870 to 1913, averaging 4.3% annual growth, and real wages for the workingman tripled between the years 1849 and 1915. In comparison, we average about 2.0% annual growth today, real wages are totally stagnant, and we are plagued by inflationary prices brought on by the Fed's relentless monetary expansion. [13]

Thus the Keynesian claim of monetary inflation being a requisite for healthy economic growth is totally in error. Growth will take place very nicely without government inflation of the money supply in excess of growth of goods and services.

3) Increased standard of living. By eliminating the compliance burden of our income tax (3% yearly) and the inflation burden of the Fed's expansion of money (3% yearly), there will take place a vibrant explosion in the American economy. This will bring about an 8.3% increase in the standard of living for all income earners. For example, a 3% decrease in compliance costs for businesses, plus a 3% decrease in price inflation, plus a 2.3% increase in real wages equals an 8.3% increase in quality of life for everyone.

Thus an equal-rate income tax of 15% will NOT be a burden on the low income earners of America. It will, in fact, increase their standard of living by more than 5% annually.

For example, Jackson Hewitt Tax Calculators shows us that a single man today making \$18,000 yearly (with a standard deduction) presently pays an effective tax rate of 7.2%. Under the new "equal-rate system," his effective rate would rise to 10%. So his tax bill rises slightly by 2.8%, but as we see above his standard of living would rise by 8.3%, giving him a 5.5% net increase in quality of life. [14]

How to Confront Liberals on the Issue

Despite the above irrefutable facts there will still be major opposition to the 28th Amendment from our leftist dominated media. This opposition must be confronted forcefully. Here's how to do so: When a Wolf Blitzer or a Chris Mathews tries to scornfully attack us in customary fashion and claim that equal-rate taxation would make life miserable for low income earners, we must challenge them with the following:

You mean to tell me, Mr. Blitzer, that you *oppose* the restoration of "equal rights under the law" for Americans? That you *oppose* eliminating the monstrous complexity of the tax code from our lives? That you *oppose* increasing the standard of living of everyone, including lower income earners? This is what equal-rate taxation will do for our country. It will bring about a tidal wave of prosperity, freedom and justice for everyone. It will restore moral legitimacy to our tax system. *Low income earners will not be harmed at all; they will benefit.*

Either you support equal rights under the law, or you don't. There is no middle ground here, Mr. Blitzer. I want you to look into that camera and tell your viewers that you do not support equal rights under the law for American citizens. Because

that's what you are doing if you condemn equal-rate taxation. You are supporting *arbitrary law*, the foundation of every dictatorship that has come down the pike of history. Is this what you support, Mr. Blitzer, dictatorial law?

To sum all this up, everyone will receive a huge annual increase in their standard of living with an equal-rate tax system. It will light up the sky of economic productivity in America. Moreover, everyone's lives will be so much simpler. Our monstrous tax code could be reduced from 17,000 pages to *one page*. America's relentless march toward ever-bigger government would be ended. The American Republic would be saved.

Very important to understand: this is not just an immensely *practical* cause that is needed for the country; it is also a profoundly *moral* cause. Think back to the 1840s and 1850s when the northern abolitionists were fighting against slavery. Their leaders took a vehement moral stand on the principle of EQUAL RIGHTS UNDER THE LAW. They proclaimed that black people had the same right to their freedom as white people, which is what carried the day and won the cause of freedom for them.

Well, that same principle exists today in the tax arena. Productive people have the same right to their income as less productive people do. We are all supposed to be equal under the law in America. We who are productive are no different than those who are less productive. Progressive tax rates are unjust, unconstitutional, and immoral.

And this is why we need a 28th Amendment to the Constitution, which may require 7-8 years to ratify, rather than just passing an "equal-rate tax" into law. It greatly dramatizes the issue. It makes it a matter of morality and constitutionality.

By employing an amendment strategy we can, thus, attack our present tax code as "immoral and unconstitutional." All lofty aims of history have a MORAL connotation to them. Tax reform is no different. We need to make use of this crucial aspect.

Just lobbying for the practicality of a flat tax will never bring us victory. This is the big mistake of America's tax reformers over the past 50 years. They have basically fought a practical battle with mundane activism and dreary statistical seminars. But taxation is the nefarious power of tyranny; it requires a heroic challenge of the forces of evil.

Visualize the power of the lone Chinese citizen standing in Tiananmen Square in 1989 against the ominous column of tanks before him. Visualize the patriots of early America relentlessly stumping the towns and taverns and churches to sell the Constitution to their fellow citizens. This is the kind of courage and commitment that will be required from us.

We can still encourage Congress to simply pass an equal-rate tax into law. But we need first and foremost to promote this issue with moral fervor and constitutional legality. Promoting the 28th Amendment gives us such fervor and legality.

Four Steps to Ending the Income Tax Itself

Radical tax reform is the great unifying cause that can break the stranglehold collectivism has over our country's politics. Americans are ready to scrap the income tax. Yet this monumental reform will not happen unless conservatives, libertarians and independents unify behind the only viable path to that goal. This path is constructed of four steps:

- 1) We must *permanently* end progressive tax rates by ratifying AFR's proposed 28th Amendment. Our goal is to put an AFR chapter in all 50 states to pressure their Representatives and Senators to bring forth the necessary "joint resolution" to submit to the states for ratification. If this means a lengthy education process, so be it.
- 2) Ratification will require an equal-rate income tax of approximately 15% to remain revenue neutral in funding the federal government. As we have seen, it will bring about large reductions of government spending in the upcoming years. As a result, the 15% rate can gradually be lowered to the 10% range.
- 3) We can then substitute a national sales tax for the income tax. The national sales tax in America has never been able to get accepted because it has been built on a 15% to 23% rate structure depending on whether FICA taxes are included in the mix. These rates are psychologically unsalable to the voters. But an 8% national sales tax (combined with 2% import tariffs) will be acceptable to the voters and will allow us to replace a 10% income tax with a consumption tax.
- 4) Thus once we get government spending down to where it can be covered by a flat 10% income tax, a national sales tax will be salable to Americans. We can then disband the IRS because the state sales tax agencies will collect all payments and forward the money to Washington.

All libertarians, of course, wish to end the income tax; and they wish to do it immediately. Unfortunately to end the income tax immediately, we would have to end \$1.9 trillion in welfare services. (The income tax took in [\\$1.9 trillion dollars](#) in 2015). Obviously the people will never vote to reduce government this drastically overnight.

As this report demonstrates the key to ending the income tax is to make progressive tax rates "unconstitutional" so that no new administration can ever restore them. This will induce the people to eventually vote the income tax out of existence as soon as overall spending will accommodate it. But until this is done, every new administration is a threat to restore the evil of progressive tax rates.

What America needs is for the libertarian / conservative intelligentsia to attack statism by providing a logical means to get from point A (massive welfare state) to point B (a free republic), and to do so in a morally persuasive manner. The 28th Amendment will be a powerful step in that direction.

There will, of course, be beavies of "naysayers" who will declare that such a goal as this is impossible, that we have to learn to live with a "progressive income tax," that centralized statism in Washington is here to stay. The "naysayer" mentalities are like the Tories of 1776 who stayed behind closed doors where it was safe and popular. They exuded pessimism. The British were too strong. Why make a big fuss? But the rebels – men like Sam Adams and John Hancock, Patrick Henry and Paul Revere – would have none of it. They possessed only a rag-tag army, but they knew they had truth and justice on their side and that the British Gargantua would fall precisely because of that.

Throughout history whenever tyranny imposes itself upon a people, there are those who hang back in resignation, and there are those who take the fight to the tyrants rather than settling for the comforts of craven apathy. Yes, this fight will not be easy. But we possess a very dynamic force on our side, a force that all tyrannical systems lack and all rational revolutions possess – moral truth.

This is what brings the most powerful of tyrannies down. No matter how much control they have, no matter how ruthless they are – they are always vulnerable in face of men and women who are in possession of truth and willing to take a moral stand against the evils of arbitrary law and special privilege. **We have "moral truth" on our side!** So when the knock comes on your door to ask for your commitment, be prepared to join the fight with conviction and gusto instead of dwelling on how entrenched the Darth Vaders of the Potomac are.

Equal rights are ours by the laws of Nature and Nature's God. Government has usurped these fundamental rights. We must now take them back. We need only to offer the American people bold inspiration, rather than dreary politics as usual, and they will come from all corners of the land to join our cause. Our country needs an *Equal Rights Amendment for Taxation*. This is the only way to stop the runaway freight train of government growth. This is the only way to save the America we love.

Notes

1. J.R. McCulloch, *Taxation and the Funding System* (London, 1845), pp. 141-143. Cited in Charles Adams, *For Good and Evil: The Impact of Taxes On the Course of Civilization* (Lanham, MD: Madison Books, 1993), p. 365. Emphasis added.
2. Emily Ekins, "62 Percent of Americans Say They Favor a Flat Tax," *Reason.com*, April 15, 2014, <http://reason.com/poll/2014/04/15/62-percent-of-americans-say-they-favor-a>
3. Letter to S. Kercheval, 1816. Saul K. Padover, ed, *Thomas Jefferson On Democracy* (New American Library, no date), pp. 34-35. Emphasis added.
4. Harold Syvelt, ed., *The Papers of Alexander Hamilton*, vol. III (New York, 1962) p. 104. Cited in Charles Adams, "Our Income Taxation: The Darker Side," Manassas, VA: Citizens for an Alternative Tax System [no date], p. 6.

5. David Hume, *The Philosophical Works*, vol. 3 (London, 1882) pp. 356-360. Cited in Adams, *Ibid*, p. 6.
6. Justice Stephen J. Field, *Pollock v. Farmers Loan and Trust Co.*, 157 U.S. 607 (1894). Cited in Adams, *Ibid.*, p. 370.
7. <http://finance.senate.gov/newsroom/ranking/download/?id=9fe27e9f-a5e0-4010-8461-ffc00b5c00ef>
8. James L. Payne, *Costly Returns: The Burdens of the U.S. Tax System* (San Francisco, CA: ICS Press, 1993), pp. 149-153.
9. Americans for Fair Taxation (AFT), "The Impact of the Fair Tax on American Manufacturing, Agriculture, Trade, and International Competiveness," p. 5, https://www.flfairtax.org/Documents/Whitepapers/g_agriculture_trade_and_international_competitiveness_whitepaper4-19-2013.pdf.
10. Jeffrey Sparshott, "By One Measure, Wages for Most Workers Peaked in 1972," *Wall Street Journal*, April 4, 2015, <http://blogs.wsj.com/economics/2015/04/17/by-one-measure-wages-for-most-u-s-workers-peaked-in-1972/>
11. "Why Wages Have Stagnated while GDP Has Grown," *Economic Sense*, <https://aneconomicsense.org/2015/02/13/why-wages-have-stagnated-while-gdp-has-grown-the-proximate-factors/>
12. CPI figures in this graph are from the Federal Reserve Bank of Minneapolis, http://www.minneapolisfed.org/community_education/teacher/calc/hist1800.cfm.
13. Figures from *The Statistical History of the United States from Colonial Times to the Present* (Stamford, CT: Fairfield Publishers, 1960), pp. 91, 141, 409, 413.
14. Jackson Hewitt Tax Calculators, <http://www.jacksonhewitt.com/Resource-Center/Tax-Calculator/>