

Tax Day 2021

By Mike Winther

It's tax day... Well, actually, every day is tax day. But on the day of the income tax filing deadline, I thought it would be appropriate to talk about the hidden taxes that you don't see on your 1040 tax return. Most people don't realize it, but these hidden taxes are the most damaging taxes to our pocketbooks, our economy and our liberty.

How much tax do you pay? There is no way to know.

This is what makes hidden taxes so dangerous. We can have a public debate over the costs and benefits of ordinary taxes like those on income, property and retail sales, but it is next to impossible to have an informed public discussion about those taxes that are hidden from our view.

Here is a partial list of hidden tax in America:

Hidden Employment Taxes

Many people look at their paystub and assume that the deductions they see are the full extent of their payroll taxes. But those itemized tax deductions are only part of the story. The employer also pays taxes on the employee's earnings. These employer paid payroll taxes amount to a considerable tax burden. In most states, the employer tax load is greater than that of the employee. This cost is hidden from the employee, but it still presses on workers and consumers because, ultimately, the business will cover this cost by reducing wages or increasing prices on the business's products or services.

Hidden Taxes In The Goods And Services That We Buy

This is often the result of the desire to tax the other guy. Voters say: *"I'm not a corporation, so tax the corporations"* or *"I'm not rich, so tax the rich."* Unfortunately, it is next to impossible to tax one element of society without it having some effect on society at large. The corporations that we want to tax produce benefits to three groups of people: owners/stockholders, employees, and customers. Ultimately, all taxes paid by a corporation will be at the expense of one or more of these three groups. Although there will be some "rich" people in all three groups, the greater majority of all of these groups is composed of ordinary people who are not rich. Our "not rich" citizens have corporate stock in their retirement accounts, they work for a corporation, or they make purchases from a corporation. It is the ordinary person that bears the burden of this "tax the corporation" ploy.

The Hidden Tax Of Lost Productivity And Regulation

Any government action that results in fewer goods and services being produced is a kind of hidden tax. If we call to mind the concept of supply and demand, we will remember that if demand is constant and the supply of any product or service declines, the prices for those goods will go up.

In a myriad of different ways, government policies restrict the supply of those things that we consume. Licensing creates a barrier of entry to workers in a number of professions. This includes construction, home repair, cosmetology, and health care just to name a few.

"The 1040 is less than half of the story."

Institute for
Principle Studies

P.O. Box 278
Modesto, CA 95353

(209) 575-2005

www.PrincipleStudies.org

Many government programs create disincentives to work. An abbreviated list of these programs might include unemployment insurance, overly generous welfare programs and, most recently, COVID pay.

Government regulations are another source of lost productivity. Much of our workforce is not producing the goods and services that we wish to consume—instead we have millions of people employed to help their employer comply with government required paperwork and regulation. This results in two different indirect “taxes” on Americans. First, it increases the cost of doing business. This requires businesses to pass this cost along to their customers in the form of increased prices. Second, it redirects productive people away from producing the products that consumers desire and puts them to work producing the paperwork that government desires. This reduces the supply of goods and services resulting in higher prices for the consumer.

The Hidden Tax Of Inflation

Increases in the money supply usually result in higher prices. When governments or central banks inflate the money supply, prices go up because the value of the currency goes down. A greater supply of money reduces its value meaning that it takes more currency to buy any given item. This devaluing of the currency is a hidden tax on anyone who is holding it. Regardless of where you store your money, it will lose value. Store it in a bank and it loses value. Put it in your wallet or under your bed and it still loses value. Since New Year’s Day 2020, America’s money supply has increased by about 25%. The price increases that we are observing now are just the tip of the spear. This inflation is already eroding the value of your cash and savings—with more erosion (theft) still to come. This hidden tax may be the most dastardly of them all.

The 1040 is less than half of the story. Regardless of your tax bracket, you are probably paying more in hidden taxes than the amount shown on your tax return. As you sign that 1040 form, remember that the tax burden shown on that form is probably the smallest portion of your real tax burden.

Governments are always looking for more revenue, but taxes tend to be unpopular, so governments look for ways to hide as many taxes as possible. Although all taxes have negative consequences to individuals and the economy, it is the hidden tax that does the most harm. Citizens need to wake up and fight these hidden taxes.

Just think about how our economy and our people would prosper if we did nothing else but put an end to our nation’s hidden taxes.

“Regardless of your tax bracket, you are probably paying more in hidden taxes than the amount shown on your tax return.”

Institute for
Principle Studies

P.O. Box 278
Modesto, CA 95353

(209) 575-2005

www.PrincipleStudies.org