



MAKE IT JUST ANOTHER DAY

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The I.R.S.'s Dirty Little Secret: Hidden Taxes

An Institute for Policy Innovation report by Bryan Riley, Eric V. Schlecht, and Dr. John Berthoud shows that the employers' share of payroll taxes is actually absorbed by the employees. According to Dr. Berthoud, "As small business owners know, employers don't really pay half of payroll taxes. Instead, they're forced to lower an employee's salary to cover the costs associated with these taxes, which adds up to about \$862 per year per employee" (*Business Wire* 8/28/2001). As the synopsis of the report states, "Federal income taxes represent only 42 percent of the total tax burden of U.S. taxpayers. The remainder is hidden, distorting taxpayers' awareness of their real tax burden and of the true cost of government. Only fundamental tax reform with an emphasis on visibility can ensure a fair tax code that allows taxpayers to evaluate whether they are getting their money's worth from government."

Research by Dr. Dale Jorgenson, Chairman of the Harvard Economics Department, indicates that under the FairTax, producer prices will come down as the income tax and payroll tax embedded in the price of everything we buy is repealed. His research indicates that electric utility prices will immediately come down by 23½ percent because of the repeal of the income and payroll tax. Similarly, telecommunications prices will immediately fall 25 percent, and gas utility prices will immediately fall 20 percent.

Carrie Ardelean of Americans for Fair Taxation stated, "We applaud the Institute for Policy Innovation for recognizing the intense frustration of Americans with the current tax system and the need for total overhaul. The plan proposed by Americans for Fair Taxation – the FairTax – will eliminate the hidden payroll tax of 7.65 percent and the embedded taxes in producer prices. Most importantly, the FairTax will allow Americans to keep 100 percent of their paycheck."

Americans for Fair Taxation is a non-profit, non-partisan organization dedicated to replacing our federal income tax system with a simple, single-rate federal consumption tax on the final purchase of new goods and services. Established in 1995, Americans for Fair Taxation is headquartered in Houston, Texas with an office in Washington, D.C. and is supported by 418,000 members and Volunteers throughout the country. To schedule an interview with one of our spokespersons, ask for Genie Hayes at 1-800-FAIRTAX. For more information on the FairTax, please visit www.fairtax.org.

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