

THE PAYMENTS TAX

HERE IS the short and sweet mathematical basis for taxing payments. Payments made through banks and non-banks (such as credit unions) plus the volume of securities cleared totaled more than 5 quadrillion dollars in the year 2015.

Dividing the government's budget of \$4 trillion by \$5 quadrillion yields 0.08%—the percentage that must be taken from each payment in order to balance the budget. I have bumped that number up to one tenth of one percent (0.1%) for ease in demonstrating how this can work.

The Payments Tax would be an astounding tool. At the low rate of one tenth of one percent, it would eliminate the need for both personal and corporate federal income taxes, Social Security taxes, Medicare taxes, estate and gift taxes—even excise and customs taxes—all of which cause much pain and yet still fall hundreds of billions of dollars short of balancing the budget.

With a Payments Tax, instead of paying up to \$400 in taxes on \$1,000 of income, you would pay only \$1. Your take-home pay would take off, while our nation went from a half-a-trillion-dollar deficit, to a trillion-dollar surplus—enough to eliminate all state and local taxes, including property taxes and sales taxes!

Just imagine going to the store with your much fatter paycheck and buying what you needed without being hit up for 8% in sales taxes. You would save thousands of dollars on big-ticket items like cars. And think of how it would feel to

pay less for gas, your phone bill, and airline tickets, all because excise taxes no longer existed.

If you are a homeowner, you can appreciate how eliminating property taxes would benefit you. If you are a renter, the end of property taxes could mean the difference between buying a house in the future and not being able to afford to do so.

In short, the math works. Not just for the government, but for you, too. Your finances would be better. The nation's finances would be better. It would be an era in which money served us, rather than us serving money.

WHAT WOULD the Payments Tax mean for you personally? What could be the benefits for individual citizens?

Today, a single, self-employed person earning \$30,000 per year pays around \$6,000 in income and social security taxes. With the Payments Tax, their tax bill would plummet from \$6,000 to a mere \$30. Quite the pay raise indeed!

Compare this to a single, self-employed person earning \$50,000 per year who pays around \$12,000 in income and social security taxes. With the Payments Tax, their tax bill would fall to just \$50.

Are you married? A married, self-employed couple with two children and a combined income of \$100,000 pays around \$22,000 in income and social security taxes. With the Payments Tax, their tax bill would be only \$100. The extra \$22,000 per year would be a game changer for a family raising children.

THINK FOR a minute about what the Payments Tax would do for our nation. Because it would put

more money in our pockets, consumer spending would increase and our nation's GDP would skyrocket. Since businesses would no longer pay corporate or FICA taxes, they'd have more money to expand and hire new employees. In addition, the cost of complying with our complex tax code would be eliminated, so businesses could put that money to productive use. And without a deficit, our national debt would no longer increase. Together, these factors would propel our economy to new heights. But the benefits of the Payments Tax go even beyond this.

Under the Payments Tax, companies would no longer use foreign nations to hide from U.S. taxes. Foreign tax rates are higher than the Payments Tax, so the problem of "inversions," or companies moving their headquarters offshore, would be solved. Instead, we'd see a return of the dollars that multinational companies currently stash offshore, which would increase the volume of payments in our nation. Eliminating income taxes would also bring a flood of money from foreign corporations and individuals into our country, resulting in increased investment in our economy and even more payments.

Finally, the Payments Tax would save Social Security. According to current estimates by the Social Security Administration, the trust funds supplementing the payment of benefits will soon be exhausted. At that time, benefits to retirees will need to be cut and/or FICA taxes increased. In other words, the Social Security program is already insolvent with expenditures exceeding receipts; the program is in its final stages of unraveling. The Payments Tax would eliminate this ticking time

bomb, bringing solvency to our Social Security program.

Balancing the budget would be simple with a Payments Tax. At a rate of just one tenth of one percent, the Payments Tax would generate a surplus. This would stop the growth of the national debt in its tracks, and the government would no longer have to borrow money to cover its spending.

Notably, balancing the budget with the Payments Tax does not require financial austerity. In fact, the Payments Tax is so efficient we could use it to fund programs we cannot afford today. In *The Economist's Tale* I outline several such programs that would dramatically improve the quality of your life while benefitting our nation's economy as well.