

"They write politics, we write government"

GETTING SELFISH ON TAXES

I pay a lot of tax. Being a relatively high earner, entirely through earned income, while living in New York State and New York City, you probably know few people who have a higher overall tax rate or a higher marginal tax rate. As much as, like most others, I roll my eyes when I see the overall tax bill, I am self-aware enough to know that I make out like a bandit via government services. Without roads, electricity, water, internet and health care, I both wouldn't be able to have much of any income, and little ability to enjoy that which I did receive. All of these things are only possible because of the requirement that we all pay taxes.

That being said, a bill passing Congress precisely stating that "henceforth, Nicholas Cohen and family shall pay no taxes of any type" would be pretty cool. It would be even better if corporations in which I was an investor were similarly exempted from paying taxes. I would have a ton more money with which I could do whatever I chose. Even better, because the amount in question is a tiny fraction of total government revenues, I wouldn't even notice the tiny cut in services or future increase in taxes that necessarily follows. In a country of 320,000,000, only 0.00000031% of these future costs would be paid by me. This is a sweet deal.

Unfortunately, this bill is unlikely to pass Congress. What is far more likely to become law is a bill that cuts taxes for other people. You can't even say that it cuts taxes for everybody, because to get any significant benefit you need to be wealthy, be an heir, receive income other than from working, live in a state with low income taxes, or all of the above. By the time the "Jobs Cut and Tax Act" has been in effect, only the top 1-2% of earners (and,

interestingly enough, many foreigners) will pay lower taxes. These people, via some type of magic, are supposed to cause fountains of economic growth, enriching us all – at least according to your favorite GOP member of Congress.

The problem is, the evidence that tax cuts spur massive economic growth is quite weak. Virtually all analysis (other than that which is blatantly partisan) show that tax cuts have, at best, a limited effect. It's hard to run proper, controlled studies in economics, but do you remember a boom after taxes increased during Bush 43's term? Or the collapse many predicted when some of those tax cuts went away? Neither do I. I put an article out a while ago looking at this from a statistical perspective. The Republican-led Joint Committee on Taxation's analysis of the current bill predicts GDP gains of between 0.03% to 0.08% per year, barely more than noise. Noted liberal bastion Goldman Sachs thinks even this is too high. My piece the other day was an attempt to answer "Why not?" from a micro perspective. Corporations are already awash in cash, The only groups putting out analysis showing real growth are from "think tanks" that are funded by those who stand to benefit; their analyses have gaps large enough to drive a truck through.

Which is all a long way to say that when the GOP says that you will benefit when the taxes of others are cut, there is not much reason to believe them. And, unless you have billionaire parents, a large pass-through income, or are a foreign owner of U.S. companies, this is the entire premise on which the bill is based.

So what? Why do you care if others get a tax cut? Good for them, right?

Well, this is where we get back to the cost of this whole thing. Our country's fiscal balance is already perilous in the long-term. In another 20 or 30 years, we'll have to bridge a gap of perhaps 3% of GDP via a mix of increased taxes or reduced spending – and this current monstrosity tacks on an additional 1% in the wrong direction. Republicans are already making clear that they plan to cut programs like Social Security, and they say there is no money to fund the Children's Health Insurance Program. In other words – cuts to federal programs will have an effect on you. They will cost you.

Now, it is also certainly possible to do "tax reform." You lower rates and get rid of deductions, raising about the same amount of money, and direct your economy towards activities more beneficial than tax avoidance. But, this isn't that. I already burst your dreams of being able to file taxes on a postcard. On the corporate side, this bill has more shiny ornaments than a Christmas tree. We are about to enter the golden age of high-priced tax attorneys and CPAs; they are fine people, but this is not what we were promised.

To summarize, unless you are among the favored few, this bill will not benefit you, it will cost you, and it won't make your life any easier. So, I'm against it. Even though I don't like paying taxes, same as you.