

Why Wolf wants to further complicate Pa. taxes

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In its 2008 report to Congress, the IRS said, “The most serious problem facing taxpayers is the complexity of the Internal Revenue Code.” Apparently, Gov. Tom Wolf hasn’t read the report, because he just can’t wait to complicate the Pennsylvania tax code further.

Politicians like Wolf would have you believe taxes are a complicated matter — and have gone to great lengths to make them so. Pennsylvania taxes income, property, profits and purchases; charges licensing fees for drivers, boaters, hunters and business owners; and levies special taxes on cigarettes, gambling and gasoline. But politicians don’t want you to know that taxes don’t have to be complicated.

This year, Pennsylvanians will earn about \$600 billion in income and the state will collect about \$50 billion from all sources (excluding federal funding). If all of its revenue came from a flat, across-the-board, no-deduction, no-exemption income tax and it eliminated all other taxes, fees, surcharges, levies and fines, it would have to tax everyone’s income at about 8 percent. And it would be honest and transparent.

That’s a lot higher than the state’s current 3.1-percent income tax, but we’d no longer pay the 6-percent sales tax or the 50-cents-per-gallon gasoline tax. But the big win is that we’d blow away the smoke protecting the politicians and special interests that want the tax code to be complicated. Like the magician who catches your attention with his left hand while his right hand reaches into your pocket, a complicated tax code distracts voters while politicians reach into their pockets.

All taxes are ultimately paid by the people. Businesses pass taxes on, leaving the people unaware they are even paying a tax. But when the tax code is simple, people know how much they are paying — and tend to hold politicians accountable.

For our already over-tweaked tax code, Wolf has proposed increasing the sales tax from 6 percent to 6.6 percent and extending it to cover some 45 previously exempt categories of products and services including day care, over-the-counter drugs and cable TV, to name but a few. He also proposes reducing homeowner property taxes (which benefits homeowners at renters’ expense), eliminating school property taxes for seniors (which benefits the elderly at the non-elderly’s expense), enhancing renter rebates (which benefits landlords, who will raise rents to capture the rebates) and instituting a manufacturing tax credit (which benefits manufacturers at non-manufacturers’ expense).

This entire game needs to be scrapped in favor of transparency and simplicity. When taxpayers finally know what they are paying, they will hold politicians accountable and can start a frank conversation about whether they are getting what they pay for. And at an effective tax rate of 8 percent, you can sense why the politicians want to keep things complicated.

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