

Pa. pols should be sweating over vaping tax

<http://triblive.com/opinion/featuredcommentary/11017978-74/tax-percent-revenue>



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300 dpi 3 col. x 14.25 inches/164x362 mm/558x1231 pixels Don Coker color illustration of a very nervous man, loosening his tie, clutching his stomach

and sweating profusely. Columbus
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BY ANTONY DAVIES & JAMES R. HARRIGAN | Saturday, Aug. 27, 2016, 9:00 p.m.

In 1988, Sen. Bob Packwood asked Congress' Joint Committee on Taxation how much tax revenue the federal government would collect if it imposed a 100 percent income tax on people earning over \$200,000.

The committee, wholly overlooking that people change their behavior when tax rates change, answered that such a tax would generate more than \$1 trillions in revenues over five years.

But when income is taxed at 100 percent, people stop working. A 100 percent tax would not collect anywhere near \$1 trillion. In fact, it would collect almost nothing. Packwood knew as much; he just wanted to point out the abject stupidity of those who would levy taxes without even considering the consequences.

In 1991, committee analysts were back at it, this time claiming that a 10 percent “luxury tax” on yachts, private planes and expensive jewelry would raise \$5 million a year in additional revenues. But by the time the dust had settled, tax revenue had actually fallen by \$24 million. As before, congressional analysts assumed that people would go on buying the same number of luxury items after the tax hike as they did before.

What people actually did is what any reasonable person could have predicted — they cut back on their purchases of luxury goods. In fact, consumers cut back so much that luxury goods industries laid off workers, leading to even more tax losses when the unemployed workers stopped paying income tax.

Fast forward to Oct. 1 of this year, when Pennsylvania will impose a 40 percent tax on electronic cigarettes and related products. Gov. Tom Wolf claims that the point of the tax is to increase state tax revenue. And there Wolf makes the same error that the tax committee made in 1988 and 1991.

He assumes that, in response to a whopping 40 percent tax, vapers will not alter their behavior. But every reasonable person knows they will. Vapers will simply buy their products online from out-of-state vendors. The 40 percent tax hike will raise precisely no tax revenue at all. In fact, Pennsylvania's tax revenue will decline because the 300 vape shops throughout the state will close their doors, destroying at least 300 taxpaying jobs, likely more.

We'd like to believe that our elected officials are not stupid. But in this case, stupidity is the kinder explanation. The more likely explanation is that the governor and Legislature believe they are qualified to dictate how the free citizens of Pennsylvania should live. They have decided that you should not have e-cigarettes and they are out to make it harder for you to get them. With this tax, they are expelling an entire industry from Pennsylvania because they have decided that they don't like it.

And that's the real problem. When politicians decide they are qualified to tell people how to live, what the people want no longer matters. The political class knows this is blameworthy, which is why they routinely lie to foist these rules upon us. As for the vaping tax, it will leave us with no additional tax revenue and more unemployed citizens. But the political class will have gotten what it wanted and, for them, that seems to be all that ever matters.

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