

Senate Resolution 1507

By: Senators Hill of the 32nd, Shafer of the 48th, Butterworth of the 50th, Chapman of the 3rd, Seabaugh of the 28th and others

A RESOLUTION

- 1 Urging the United States Congress not to enact a value added tax; and for other purposes.
- 2 WHEREAS, the value added tax or VAT was created by a French economist in 1956 and is
3 now widely used throughout Europe and in India, Mexico, Australia, and New Zealand; and
- 4 WHEREAS, the VAT has been used for decades to pay the bills and sustain the immense
5 growth of governments to provide services and entitlements they otherwise could not afford
6 and constitutes the most voracious machine for revenue generation yet invented and,
7 consequently, is beloved by the governments which utilize it; and
- 8 WHEREAS, generally, the VAT is a sales tax on the transfer of goods and services that
9 ultimately is borne by the consumer except that it is charged at each stage in the development
10 of a product instead of at the moment when the product is finally sold; and
- 11 WHEREAS, under the most common form of the VAT, the credit-invoice method,
12 businesses pay the tax on their purchases and collect it on their sales and then, after
13 deducting the taxes they paid on purchases from the amounts they collected on sales,
14 businesses remit the difference to the government; and
- 15 WHEREAS, in operation, the VAT increases the cost of just about everything, from bread
16 and cheese to a visit to the hair salon, with the hidden detriment that, while the consumer
17 pays the tax, the actual cash is mostly collected from producers before it reaches the retailer;
18 and
- 19 WHEREAS, the VAT is essentially a hidden charge embedded in the price of goods and
20 services which, therefore, allows the government to raise the VAT without causing nearly
21 the uproar that would result from increasing income and other taxes that are paid more
22 directly by the individual; and

23 WHEREAS, as a result, the VAT can be easily increased by the government in order to pay
24 for increased spending which offers a potential drag on economic growth and encourages
25 bigger government budgets; and

26 WHEREAS, supporters of big government like the VAT precisely because it is so ubiquitous
27 and because it is typically layered on top of existing taxes, rather than being substituted for
28 them; and

29 WHEREAS, middle class taxpayers would be hit harder by a VAT because they spend more
30 of their income on goods like clothing and cars than high-income earners do; and

31 WHEREAS, European governments have typically seen VAT hikes as an easy way to raise
32 revenues during a recession and the result of such tax has been lackluster economic growth
33 and a dearth of dynamism and entrepreneurship, the contrary of what the United States has
34 always embraced; and

35 WHEREAS, the VAT will not even start to cover the explosion that we have seen in federal
36 spending and it could lead to perverse incentives in the labor market since the introduction
37 of a significant VAT on top of the current tax system would cause many people to decide that
38 housework and the underground economy are more lucrative than working in the normal
39 marketplace; and

40 WHEREAS, despite the perception that VAT's are difficult to evade, data show that fraud
41 to avoid the VAT is widespread in the European Union and the fraud is causing revenue
42 shortfalls large enough that many European Union countries are scrambling to prevent the
43 abuse; and

44 WHEREAS, introduction of a VAT in the United States indicates that proponents of big
45 government acknowledge that Washington cannot effectively cut spending or reform the
46 ever-expanding number and size of entitlement programs; and

47 WHEREAS, VAT's and higher levels of public spending greatly limit long-term economic
48 growth; and

49 WHEREAS, looking for new sources of revenue moves our attention from what can and
50 should be done now, which is to slow or stop spending increases and reform entitlements,
51 sooner rather than later; and

52 WHEREAS, the VAT is regressive rather than fair or progressive and its levy in addition to
53 income taxes will be to the taxpayer's detriment and to big government's benefit; and

54 WHEREAS, a federal VAT tax will harm Georgia consumers and businesses; and

55 WHEREAS, Georgia cannot embrace or endure another level of taxation that is hidden in
56 everyday purchases and transactions.

57 NOW, THEREFORE, BE IT RESOLVED BY THE SENATE that the members of this body
58 urge the United States Congress not to pass a value added tax for this nation.

59 BE IT FURTHER RESOLVED that the Secretary of the Senate is authorized and directed
60 to transmit an appropriate copy of this resolution to each member of the Georgia
61 congressional delegation and to Speaker of the United States House of Representatives
62 Nancy Pelosi, Vice President Joe Biden, and President Barack Obama.