Taxes Essay, Research Paper

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Taxes: Who benefits and who gets ripped off

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Abstract

Taxes are the dollars that we pay to government to supply the services that are not or can not be provided through the free enterprise system. Taxes have been around since the beginning of organized societies. They come in various forms. Most common are income taxes both federal and local government. These taxes are assessed on the amount of income a person earns. Other taxes come in the form of user taxes; these taxes are imposed on the people that are using the goods being taxed, such as gas tax, alcohol tax, sales tax, and luxury taxes. Property taxes make up the major revenues for local and city governments. Furthering the burden of taxation are taxes that are attached to such bills as utility bills and rental expenses.

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Introduction Taxes; who benefits and who gets ripped off focuses mostly on Federal and county taxes and not on state taxes. This report aims to give the reader some insight on taxes: Why we have them, what types of benefits they supply, who benefits from them, and who gets screwed by them. It informs the reader of the different types of taxation, where the money comes from and where it goes. How can people avoid some tax increases? But most of all, this report informs the reader that there is an incredible amount of money being wasted by the federal government through overspending and irresponsible behavior of government departments. This overspending has created a deficit that has caused billions of dollars in damage to the credit of the country. As a result of these excess taxes, the American taxpayer is getting ripped off by paying for waste in government. Most people in this country are being ripped off in the amount of taxes they pay due to corruption government and the flagrant overspending and waste of government departments. This over spending and waste is the cause of high tax rates Why we have taxes Ever since the beginning of organized societies, governments have been formed to rule over and to protect the interests of these societies. In order for these governments to function there was a need for revenue to meet the expenses incurred by these governments. This need for revenue was met by levying taxes on individuals and businesses. It has always been a question to the population being taxed as to whether or not the government was doing a good job in assessing and managing the money it collected from taxes.

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The purpose of this report is to determine if the government is acting fairly in its taxation of the American population, and to point out the waste in government spending. In an article published November 1995, an unknown author explained the need for government “revenue” by defending what the revenue supplies for the people. In America we live within a free enterprise society. A free enterprise system is based on the idea of competition is good and that only the most efficient businesses will survive. The free enterprise system works with the idea that the consumer is somewhat knowledgeable about the products they buy. However, in today’s modern world the consumer cannot be always be expected to make an informed decision about something. This is where federal laws are put in place to protect the interest of the public. Examples of such laws are regulations covering quality and safety of home construction, cars, and electrical appliances. The economics of taxation, (p. 2) Such societies do not supply all the needs and services that are required. Good examples of these types of services are national defense, and local and state government. Other examples of services the government supplies are managing our natural resources, including water supplies, construction and maintenance of roads and bridges. Revenues pay for social programs such as social security, welfare, medicare, and other government funded program that have been put in place with the idea to help the public in time of need. Government grants for education, job retraining programs, and small business loans are some other types of program that have been created to help support the growth of the population.

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Education is another important service that is provided by local and federal governments. The responsibility for primary education is on city and county governments. Secondary education, such as colleges and universities, fall on the state government; however, the federal government helps with primary, secondary, and vocational education by providing grants that are an important part of the success of the educational system in this country. Types of taxes Taxes have been around since the beginning of organized society. They come in various forms. Most common are income taxes both federal and local. These taxes are assessed on the amount of income a person earns. Other taxes come in the form of user taxes. These taxes are imposed on the people that are using the goods being taxed for example gas tax, alcohol tax, sales tax, and luxury taxes. Property taxes make up the major revenues for local and city governments. Furthering the burden of taxation there are taxes that are attached to such bills as utility bills and rental expenses. The following information is an overview of what has been happening to tax revenues in city and federal government. Property taxes for the most part have sky rocketed across the country. Dearborn (1993) reported that, in the period from 1980 to 1990, local property taxes increased nationally by an impressive 128%, with 32 states experiencing increases over 100%. Property taxes make up as much as 92% of city or county revenue. School and educational cost can take up as much as 97.5% of a county’s revenue.

Taxes 6 Out of 41 school districts surveyed, only 3 depended entirely on property taxes as a local tax source. Between the period from 1984 to 1990, the city of Boston had the highest increase in assessment ratio of property values of 158% and, while the city reduced the tax rate by 51%, it still yielded a net increase of 56% more in tax revenues from property taxes.

Percentage change in local property tax revenue Percent change Percent change 1980-1990 1990-1991 RI 107.3% 9.4% MA 46.9% 6.4% NH 212.0% 16.7% VT 140.6% 11.3% CA 172.1% 8.9% NY 109.4% 8.0% NC 133.8% 7.6%

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In a recent report on property tax rip-offs, Razzi (1995) gave tips on how to reduce the amount of property tax that a person pays. According to the National Taxpayers Union, only 5% to 10% of homeowners appealed their assessments, but more than half of those who do appeal receive some type of reduction in their assessment. Razzi stated that Dale Cheema has saved $4,300 in five years by challenging the assessments on his California home and rental properties. (p.4) Sales tax makes up for a big chunk of revenue in states that are looking to place levies on users. Fortune magazine reported on the extremes of state taxes. If you like to pay taxes, be sure to buy gas in Connecticut and cigarettes in Michigan, and shop in Rhode Island or Mississippi.

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Where has all the money gone?

The government, both federal and county collects from millions to billions of dollars annually from taxpayers. The people who benefit the most are the people who get to collect from government programs that give benefits to qualified individuals. Such benefits could range from low income housing, college tuition grants, to tax exempt investments for investors who invest in government approved projects normally associated with other government aid to investors. The people who get ripped off are the people who never get to collect from any government give-a-ways. The people who get ripped off are the people who pay absurd amounts of taxes every year so that the government can support these programs. The American government gives away billions of dollars to foreign countries that have no means of repaying such depts. and the government does so without ever asking the permission of the tax payers. After all the money belongs to the people who are paying the taxes more than anyone else. In a report from the Committee on Government Operations, the agency uncovered a multitude of fraud and waste in the federal government. It blamed most of it on lack of leadership and mismanagement. The report, (1993) stated, “the government’s blind eye invited a savings and loan disaster that will cost taxpayers $195 billion to $335 billion.”(p.1). “By all signs, the record on preventing government waste during the past 12 years is poor. The agency by agency assessments contained in this report document waste totaling more that 300 billions and billions of dollars more that can not be quantified due in large part to a lack of commitment to sound and efficient management.” (p.1). Taxes 9 Managing the federal government, (1993) Reported the following:

By using the results of investigations by this and other Committees, as well as by auditors including the inspectors General and General accounting office this report attempt to identify those programs in each of the major agencies that are suffering from the worst miss management. It is the hope that this report will stimulate discussion among policy makers and citizens on this important subject. Government waste has not only bilked the taxpayer of hundreds of billions of dollars, but it has created a public cynicism about government at a time when effective government is needed most. (p.2).

The federal government has a department called The Office of Management and Budget (OMB). Its duties are to foster strong leadership throughout government. However over the last ten years the OMB has led the drive to deprive government of the resources needed to manage big government. OMB has cut back on auditing and enforcement budgets, which has led to huge rip-offs in government health care, defense, loan and other programs. In the late 1980s, the Inspector General had filed complaints with the OMB concerning fraudulent behavior in the HUD program. It was not until the scandal made the evening news that the OMB investigated into the $2 billion dollar scandal caused by influence, peddling, and greed. The following information was uncovered by the Committee of Government Operations (1993): • Ignoring early reports of significant failures the Defense Department spent $4 billion on a defense avionics package for the B-1 bomber that was eventually canceled.

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• The Department of the Treasury awarded a contract for off the shelf, commercially available equipment and services to a vendor whose price was half a billion dollars higher than the runner up. • The Pentagon awarded a contract for its Reserve Component Automation System to a contractor whose $1.6 billion bid was hundreds of millions of dollars higher than other bidders. • The Federal Aviation Administration was poised to purchase $1 billion in computer services that it did not need, before the Government Operations Committee intervened. • NASA, which spends more than $14 billion in procurement each year, has such a shortage in procurement resources that it faces excessive subcontractor profits, overpayments for services, low productivity from contractor employees, poor technical oversight, the payment of inordinately high award fees for suspect contract performance, and a host of other problems. • The Pentagon’s failure to monitor problems encountered on the A-12 aircraft contract resulted in a schedule that was so far delayed and a cost that was so inflated that the entire system had to be cancelled at a cost of $2.6 billion dollars. The only thing the public got for its money was six sets of sophisticated drawings.(p. 7)

Taxes 11 If the federal government was a bank, it would have gone under years ago. Billions of dollars are lost ever year from its nearly $1 trillion dollars in loan guarantees. Over 20 percent, or $45 billion dollars, in government loans are delinquent, and another $18 billion was written off in 1991. As of 1991, the US government had a total of $900 billion dollars in guaranteed loans on the books. All this money, so much money, all on the heads of the American taxpayers. Because it’s the American taxpayer in the end who will suffer, it will be the tax -payer that forfeits his or her standard of living to pay for the flagrant overspending of government. It will be the taxpayer who gets ripped off in the end because it’s the taxpayer that’s getting ripped off now. Conclusion The need for taxes is indeed prevalent in a free society, and not all things that are supported by the taxes are bad. Indeed, many of the programs that are paid for through tax dollars are wonderful programs that may only be found in a country as great as our own, but the other side of the coin seems much larger, larger in respect to the number of people who support programs that are ill managed verses the number of people who get to take advantage of such programs that they pay for. The burden of revenue placed on the taxpayer could be reduced incredibly if government would clean up its bad habits of blatant overspending. Big government will continue to waste until the population of taxpayers speak out against such waste. It is only the ignorance of people that allows the government to continue government programs that have enormous waste. The people who support the tax base need to be informed about where their tax dollars are going. Taxes 12

As the laws that control the availability of government documents loosen, reporters will continue to inform the public of government corruption and waste. We can only hope that one-day, government spending will be reversed with the idea that government officials will be directly responsible for the waste in their departments. Until then, we can only pay our taxes, and pay attention to where our tax dollars go.

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