

Senators Patterson, Brown, Richardville and Kuipers offered the following resolution:

Senate Resolution No. 145.

A resolution to memorialize the Congress of the United States and the President of the United States to oppose a value added tax as suggested by Paul Volcker, chairman of President Obama's Economic Recovery Advisory Board.

Whereas, The long-term health of the American economy requires the federal government to match expenditures with revenue. Current projections indicate that we will add to our debt burden at an alarming rate over the next decade. While the expenditure side of the ledger must be addressed, it is likely that for Washington, D. C., the revenue side of the equation will be prominent in any plan they craft. Already, the stature of Paul Volcker, chairman of the Obama Administration's Economic Recovery Advisory Board, has been added to the side of those who support adopting a value added tax (VAT). This approach to addressing our budget problems is dangerous in the long run, given how much federal tax policies affect economic growth and vitality; and

Whereas, The VAT is often compared to a sales tax, but it is different in that it does not simply tax the consumer who purchases the product or service as the sales tax does. Instead, the VAT taxes each stage of production, from raw material to the consumer. At each stage, a business is allowed a credit against taxes already paid earlier in the production process by another business. From a spending point of view, this feature has the advantage of hiding much of the tax from easy view of taxpayers and voters. In theory, a VAT is less vulnerable to evasion than a simple sales tax, and it has been called the "ultimate cash cow" of revenue. We have no reason, however, to be confident that even a fiscally- and economically-sound tax that brings in tremendous revenue without crippling innovation and economic growth will be used to reduce our escalating debt; and

Whereas, Such a value added tax is common in Europe and other countries but would be a new feature in the American economy. Grafting such an alien tax feature on our system would distort our economy and add legions of new tax collectors to our Treasury Department bureaucracy. The VAT would impose a regressive tax system and cripple our international competitiveness, reducing our exports in an age when our trade deficit looks small only by comparison to our budget deficit. A value added tax is the wrong solution for Congress to grasp to solve a budget problem that Congress created; now, therefore, be it

Resolved by the Senate, That we memorialize the Congress of the United States and the President of the United States to oppose a value added tax as suggested by Paul Volcker, chairman of President Obama's Economic Recovery Advisory Board; and be it further

Resolved, That copies of this resolution be transmitted to the President of the United States, the President of the United States Senate, the Speaker of the United States House of Representatives, and the members of the Michigan congressional delegation.