

A tax by any other name is still a tax

Colin Read: Everybody's Business

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— Tax, tax, tax Tax, tax, tax.

That has become the New York mantra. And it has been making our DMV workers, troopers, courts and others into tax collectors.

The most revealing insight into our state's taxation philosophy is the proposal that will require us to turn in our perfectly good vehicle license plates, and exchange them for different perfectly good license plates — after paying \$25. If you would like to keep your old license plate number, that is fine. You will just have to pay about twice as much for that privilege.

State troopers are also encouraged to generate revenue by pulling over and ticketing otherwise law abiding citizens. Obviously, it worries me to highlight this practice. I too am frustrated by the sense that our public safety officers have been pressured to view us as driving dollar signs. It is not their fault, though. They have been instructed to raise sufficient revenue to help pay their salaries. I am certain that these officers resent their new role. They signed up to keep us safe, not to do the tax collecting work of a state with little spending discipline.

To add insult to injury, when these tickets, however minor, are disposed of in court, the state adds another fee for the privilege of availing our otherwise law-abiding citizens of the court system. A very minor, non-moving violation that yields a \$25 fine will have tacked onto it an additional \$100 surcharge. Cha-ching.

The folly of these desperate acts to raise revenue for the state is in its sheer audacity to focus on raising revenue, at any cost to the taxpayer. You see, the true cost of these various taxes and surcharges is much higher, and is a terrible economic waste. To understand this, and to see why the state has it wrong, we must understand how economists and New York politicians differ in their view of taxes.

Taxes are a necessary part of any free-market democracy. Freedom allows us to refuse to pay for items we do not want. It also allows us to refuse to pay for things from which we derive benefit but claim we do not. For instance, we collectively benefit from public-safety officers that keep us safe and secure, but each of us would prefer to have others pay our share, if possible.

It is such provision of these public services that economists argue is an appropriate role for taxation. Most economists also recognize that the public-service model has limitations because it disconnects those taxpayers who pay for the service from those who serve the taxpayers. When we purchase a meal at a restaurant, both sides of the transaction understand who the client is. But when public servants serve the public, this customer/provider relationship is blurred.

When the customer/provider relationship is not apparent, and the profit motive is replaced by the goal of maximizing bureaucratic budgets or minimizing managerial accountability, inefficiencies often arise.

As a consequence, most economists prefer that goods and services be provided by private entities, unless this too has its failings. These failings could be in the failure to serve deserving but under-served markets, a tendency toward monopolies, or other failures in the market place. The recent past has painfully demonstrated that such market failures are not uncommon.

Economists also recognize that taxes can be used to discourage some activities that damage the economy, productivity, or the health of others. For instance, fees that discourage pollution or vice taxes that discourage smoking and drinking are legitimate taxes that redress the problems these activities create.

Unfortunately, politicians view taxes quite differently, as the examples of license plate fees, accelerated imposition of traffic tickets, and court surcharges demonstrate. The state views these taxation opportunities solely as opportunistic ways to raise revenue to support more spending. In doing so, it separates activities that spending support with any logical theory of who should pay for these services.

This separation of what we do and who should pay engenders cynicism and frustration. It also generates tremendous waste.

For instance, as the state strives to collect \$129 million by forcing us all to go down to the DMV to swap perfectly good license plates, it completely disregards the significant cost of tax compliance. We incur greater expense by requiring overtime pay to the DMV employees who must serve this exodus of frustrated taxpayers. Meanwhile, each of us must take hours out of our day to deal with these lineups or mailings, and some of us will even have to hire or find others to physically swap the plates out — twice.

The staffing cost DMV will incur, and the value of our time sacrificed for nothing, makes the \$129 million raised pale in comparison. Such a tax, while frustratingly easy to invoke, is incredibly expensive and inefficient. These compliance costs are just too high and too inefficient.

Equally misguided is the imposition of traffic tickets if the goal is simply to raise revenue. Of course, all of us would agree that the public should be protected from dangerous driving. Minor transgressions that pose no such danger would usually be forgiven at any other time but our current budget crises.

Such infractions might net the state a couple of hundred dollars a shot. The fines net perhaps about half that after court costs, trooper time, etc. However, the greater compliance cost is the hundreds of dollars of additional insurance fees that may occur because of such infractions.

It seems that the state is bent on raising revenue, a penny at a time, even if it costs its citizens dollars. Is there not a more politically courageous way to raise this revenue without generating additional and unproductive work for the DMV, state troopers and the courts? And would it not be possible just to send us all a tax bill without having us all pay more to out-of-state insurance companies, or waste our productive time waiting in lines?

These taxes, under the euphemisms of surcharges, fees, fines, etc., are still taxes by another name. Perhaps by calling these taxes something else, our political leaders believe they can claim taxes have not risen. In fact, they have, and by much more than the fees themselves. There is no redeeming aspect of this political opportunism — unless, of course, we finally realize this folly and just say no.

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