

Another curveball for working families

By Ed Muir

Curt Schilling is a heroic pitcher for the Boston Red Sox, was a public supporter of George Bush's reelection campaign and is scheduled to make \$15 million in 2007. These last two facts interest me in light of the president's plan to simplify the federal tax system. Bush's "simplification" will benefit folks making \$15 million a year a lot more than it will benefit families for whom an annual afternoon in the bleachers is a big event. The *Washington Post* recently noted that the president's goals are to "shield interest, dividends and capital gains from taxation" and "expand tax breaks for business investment." Because we face the largest budget deficits in history, the administration wants any changes to be "revenue neutral." So, tax breaks for investors need to be offset with tax hikes somewhere else. Several proposals have been made for these offsets.

■ **A national sales tax.** House Speaker Dennis Hastert (R-Ill.) has proposed replacing the general income tax with a national sales tax. One bill already intro-



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duced calls for a tax equal to 23 percent of the total price of goods. But watch out—that 23 percent is just slick word craft. If you put a tax on a dollar for 30 cents more, the total cost is \$1.30. And 30 cents is 23 percent of that \$1.30. The real rate is 30 percent. Yet even that hike falls short of replacing the revenue lost by eliminating the income tax. Citizens for Tax Justice, the Brookings Institution and the conservative National Center for Policy Analysis all find that the rate needed to keep the simplification "revenue neutral" will fall between 50 percent and 60 percent!

Let's examine what that means for Red Sox fans. Parking at Fenway Park would cost \$12 more. A hot dog would rise from

\$3.75 to \$5.65. Families making under \$56,000 a year (60 percent of Massachusetts taxpayers) would pay at least \$3,000 more in taxes. Those making \$413,000 or more a year—including \$15 million pitchers—would pay an average of \$340,000 less in taxes. This is because most families, especially lower income ones, spend almost every penny they have on the goods being taxed. All of their money would be subject to the tax. Wealthier families that only spend a portion of their income would not be subject to this tax to the same extent.

■ **An end to the tax credit for healthcare.** As people have come to understand this proposal, it has lost momentum. So the president's advisers are now talking about a new idea. Employers currently get a tax credit when they provide a healthcare benefit to employees. If employers give up that credit, the advisers propose, all income (individual and corporate) earned on investments would be tax-free.

How does that play out for average folk? Currently, 62 percent of nonelderly Americans get their insurance through their employers. The number of employees who are actually covered, however, has shrunk by

3.4 million since 2000. Eliminating the credit raises the stakes for companies thinking about providing insurance and punishes in the marketplace companies that already do provide insurance. The goal would seem to be to push employees into medical savings accounts. If you're making \$15 million, there may be little difference between knowing you're covered and wondering if you have enough money in your account to pay for healthcare, but for the rest of us, this is a major change. Similarly, a \$15 million salary means not worrying about the uncertainties that would come with pushing Social Security into individual accounts, as the president also has proposed.

I'm left with the conclusion that under these proposals, ordinary baseball fans like me, and many who are less fortunate, will be responsible one way or another not only for paying Curt Schilling's salary, but his taxes too. Perhaps Schilling doesn't agree with these proposals and his support for President Bush is unrelated to them. But, Curt, until I hear you say it ain't so, I'll root a little less passionately each time you take the mound.

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