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OBAMA FLOATS PLAN TO IMPOSE VAT TAX TO PAY FOR GOVERNMENT-RUN HEALTH CARE

- The Washington Post today reported that Democrats all over Washington and in the Obama White House are clamoring to include a value-added tax (VAT) to pay for a government-controlled national health insurance scheme. The White House has even brought in Rahm Emanuel's brother to consult on this.
- This trial balloon is another attempt by President Obama to renege on his pledge to not raise taxes on any American making less than \$250,000 per year—a promise he made repeatedly and forcefully on the campaign trail in 2008, and which he broke 16 days into his Administration
- A VAT is a version of a national sales tax. Any person who consumes pays this tax. Because the poor and working class (and certainly those making less than \$250,000 per year) consume more as a percentage of their income the less they make. A VAT is among the most regressive tax schemes that can be imposed, and is a direct violation of Obama's no-tax-hike promise
- VATs are a gateway drug to more government spending. When VATs first came on the scene in Western Europe in the 1960s, they were modest taxes averaging around 5 percent in rate. In the years since, the rates have climbed to an average of 20 percent (with a 15 percent minimum to get into the European Union)
- There are two reasons for this. First, politicians are always tempted to hike the rate and exclude preferred items like food, medicine, and housing. Second, because a VAT is embedded in the price of a good (unlike state sales taxes in the United States), most people are unaware of the tax or how high it is. Raising the VAT rate becomes a relatively-painless political maneuver, especially if it's linked to higher welfare spending or VAT base carve-outs
- This VAT trial balloon betrays the mentality of the Pelosi-Reid-Obama thinking in Washington today. Raise taxes, and raise federal spending. Ultimately, they won't be satisfied until federal taxes and federal spending are permanently at record levels. A VAT is a good way to pay for bigger government, which is why the Europeans are so enamored with them

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