



## AMERICANS *for* TAX REFORM

April 8, 2010

Dear Congressmen and Senators:

President Obama and Congressional Democrats have proposed a series of tax hikes on the American people to pay their massive new government spending. Former Federal Reserve Chairman Paul Volcker—who heads up a presidential tax reform commission—just this week said a value-added tax (VAT) was a good idea. This elicited agreement from many in official Washington. Needless to say, a VAT is a bad idea, and defenders of taxpayers should be opposed.

Americans for Tax Reform maintains a list of anti-VAT Congressmen and Senators known as the “Anti-VAT Caucus.” **I am writing you today to give you the opportunity to join this pro-taxpayer, Anti-VAT caucus.** The Anti-VAT caucus currently has 54 Congressmen and 4 Senators, and we’re looking to grow the list quickly over the next several weeks. This caucus has no meetings to attend and no dues to pay. All you need to do is sign up. Contact Ryan Ellis at ATR ([rellis@atr.org](mailto:rellis@atr.org)) to do so, and he will sign you up right away.

In Europe, a small VAT was first enacted in 1967. At that time, Europe and the United States both confiscated about \$0.27 out of every dollar of national income. Since the introduction of the VAT in Europe, that continent’s average tax take has gone from 27% to 41% of GDP, nearly a 50% increase in just four decades. There is currently a minimum VAT rate requirement of 15% to be a member of the European Union, and an average VAT rate of 20%. Meanwhile, the VAT-less United States still taxes at about the same level as it did in 1967.

**The experience of Europe should teach us that the imposition of a VAT is too often the precursor to bigger government. It is simply too easy for politicians to raise a tax that is hidden from citizens.**

A VAT is not like a national retail sales tax. A sales tax is a line-item on a cash register receipt, and is easily known by the consumer: a very effective check on raising the sales tax rate. A VAT, on the other hand, is embedded in the final cost of the goods sold, and is hidden to the consumer. The VAT is applied at every stage of consumption, from raw materials to retail. It is passed along until it literally becomes as much an inherent and cloaked component in the price as transportation or labor. As a result, countries that have adopted a VAT have been sorely tempted to raise the rate over time. I am proud to have FAIR Tax sponsor Congressman John Linder (R-GA) as a member of the Anti-VAT Caucus.

That’s why I urge you to join the Anti-VAT caucus today, to let your constituents and the American people know that you think a VAT is a bad idea for America.

Sincerely,

Grover G. Norquist

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