

Job Creation Tax Options

Summary of a working paper from *Get America Working!*

America is at an historic moment. The need to get Americans working and the need for fundamental tax reform have never been clearer. And policy makers and the public increasingly understand that these two issues are interlinked. This actually creates a giant economic opportunity. The tools to seize that opportunity are readily at hand and have appeal across political spectra. These are described in our Tax Options working paper.

Get America Working's goal is to find structural ways to increase job creation. Creating more jobs would give the currently unemployed the choice to work and, by boosting economic growth, diminish many social ills associated with underemployment, and reduce dependency costs born by all levels of government.

Simply stated, in a jobless recovery we need to create jobs. Even though the official unemployment rate is hovering at 6 percent, beyond that official count are millions more healthy adults who *could* work, but who are not counted as unemployed because they were not actively looking for work in the past month.

These millions of people who are not working represent an enormous economic loss and an enormous opportunity. We need a free-market approach that encourages business owners to create millions of attractive new jobs. A number of broadly accepted and effective tools are readily available for beginning the shift to a truly "full-employment" economy. Switching from payroll taxes (that charge companies for job creation and workers for working) to taxes on materials, energy, and land (that would discourage waste and pollution) is an especially powerful example of many options. Shifting what is taxed, is a price change that can greatly stimulate the demand for workers by lowering labor costs and giving workers a pay boost that stimulates the economy.*

We derive sizeable revenues from taxing labor. Wages are taxed 15.3% under the Federal Insurance Contributions Act, or FICA tax. (In some states additional payroll taxes drive this figure up to as much as 17%.) In 2010 FICA brought in \$865 billion, almost 40% of total federal revenues, up from 2% in 1950. But that revenue comes at the cost of massive job loss. Since the payroll tax effectively raises the price of labor relative to other factors of production, companies substitute energy, raw materials and other resources for labor, thus reducing the number of jobs. By sharply cutting and eventually eliminating the payroll tax, *Get America Working!* believes we can create millions of new jobs, stimulate growth substantially, and very significantly lower social costs, crime, depression, and de-motivated students.

Businesses will invest to modify their production and distribution systems. The bigger and more sure the tax shift from payrolls to resources/waste the faster business will shift to this new capital structuring the faster will be the shift to using more people and less energy and resources. Employers will quickly seek out and train new workers. Potential workers will need time to prepare to rejoin the workforce. A portion of the alternative taxes collected to reduce harmful payroll taxes would be set aside to support any increased energy or other costs for the needy on government assistance programs.

Get America Working's "[Job Creation Tax Options](#)" report, provides an analytical basis for our alternative vision and the pros and cons of different ways of offsetting the cuts in payroll taxes. It answers one key question about the important tax swap tool we propose: Are alternative revenues available that are significantly large, technically sound, and politically viable from taxing materials, energy, and land, at modest levels to diminish or replace current payroll taxes? The answer, as shown on the accompanying Table of Tax Options, is yes. The alternative revenue sources reviewed here could produce more revenues than all payroll taxes — leaving wide choices for policy makers.

* The [Congressional Budget Office](#) rated the 2011-12 payroll tax "holiday" as the most effective job creating measure of the entire Stimulus. It gave workers extra money to spend, boosting the economy and jobs.

Get America Working! does not advocate any particular tax or combination of taxes from the Table. We believe that the political process will do a better job of selecting the least painful and most politically feasible set of alternatives once our elected leaders understand the benefits of this approach and are influenced by a public that *also* understands the potential.

Summary of Job-creating Tax Options (\$bil)

Category/Tax	Low (\$bil)	Medium (\$bil)	High (\$bil)
Broad-based job creating taxes			
Non-labor value-added tax	263.2	526.5	789.8
Job-creating taxes on materials			
Virgin materials	6.2	12.4	18.6
Container recycling incentive	12	24	36
Tobacco	41.8	43.5	46.9
Alcohol	14.2	16.6	19.0
Job-creating taxes on energy			
Energy inefficiency – vehicles	6.0	14.6	17.1
Energy inefficiency – commercial buildings	31.2	75.8	89.2
Energy inefficiency – appliances, motor craft, other	3.5	7.2	10.25
Energy inefficiency – power plants	6.48	15.72	18.52
Carbon tax	137.5	275.0	412.5
Equal energy charge for nuclear plants	17.3	34.6	51.8
Petroleum and motor fuels	27.6	55.1	82.7
Job-creating taxes on waste and pollution			
Air pollution			
Volatile organics	22.1	44.2	55.3
Nitrogen oxides	11.5	23.0	28.7
Sulfur dioxides	1.6	3.3	6.6
Particulates	1.3	3.1	3.9
Auction of air permits	50.0	75.0	100.0
Water pollution	1.7	2.2	2.7
Fertilizer Tax	1.65	2.45	3.3
Hazardous emissions charge	2.3	4.5	11.4
Job-creating physical asset taxes			
Property transfer tax	45.45	90.9	136.3
Restriction on property-related deductions	43.4	90.6	181.5
General assets tax	60.7	121.4	242.9
Job creation through user fees for public resources	7.2	11.1	16.7
Job creation by eliminating government subsidies	54.4	54.4	54.4
TOTAL (billion)	\$870	\$1,627	\$2,436

Note: This Table, from GAW's [Job Creation Tax Options](#) report, relies principally on government data, some of which is reported annually, some every two to four years. The purpose is to show a range of what is possible, not exact estimates. We continue to seek new data. Several targets of the options overlap, so one would not do all of them; rather policymakers can pick the easiest to implement, the longest lasting, or use some other metric.

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