



January 18, 2008

NTU Supports the Federal Tax Withholding Act

Dear Representative Foxx:

On behalf of the 362,000 members of the National Taxpayers Union (NTU), I write to endorse your legislation, the Federal Tax Withholding Act. This bill would repeal the law – sold to the public as “a temporary wartime measure” sixty-five years ago – that requires employers to withhold federal income taxes from employees’ wages and salaries. Through withholding, taxpayers are forced to make annual interest-free loans to the government and then wait for a refund until after the next filing season. This system is detrimental to taxpayers and shouldn’t be compulsory.

Arguably, the indirect and direct costs of withholding far exceed the predictable, convenient method of revenue collection the policy was intended to impose. Indirectly, it hinders pro-growth tax policy. As NTU analyst Mark Schmidt explained in a 2002 NTU policy paper, “the incremental nature of withholding masks the true cost of federal income taxes, which would be much more apparent if individuals had to write monthly, quarterly, or annual checks to Uncle Sam.” Clearly, lawmakers interested in bringing tax reform to the legislative arena as well as the public square should oppose mandatory withholding.

The direct cost of withholding to the individual taxpayer is very real. In a 1999 article for *The Freeman*, Donald Boudreaux and Andrew Morriss calculated that “since its inception in 1943 withholding has taken over \$400 billion (calculated in 1995 dollars) in interest from taxpayers. In a single year withholding costs the average worker over \$100 in forgone interest.” Last year, IRS Commissioner Mark Everson testified before Congress that the average refund check had risen by \$125 over the previous year – once again affirming a long-standing trend. In practical terms, this means more in missed interest earnings. If Congress is serious about growing the economy and helping America’s families, ending withholding is a good place to take action.

Repealing forced withholding would allow businesses to put the cumulative billions they spend on federal tax paperwork compliance to better use, like paying higher wages or employing more workers. Taxpayers could set up personal savings accounts in which they could place money destined for the IRS, and instead earn interest on the funds until taxes come due on April 15.

I urge all Members of Congress to cosponsor the Federal Tax Withholding Act.

Sincerely,

A handwritten signature in black ink that reads "Kristina Rasmussen". The signature is written in a cursive, flowing style.

Kristina Rasmussen
Director of Government Affairs