

SENATE RESOLUTION NO. 10

Senators Camilleri and Geiss offered the following resolution:

1 A resolution to urge the United States House of
2 Representatives not to take up H.R. 25 of 2023 or otherwise impose
3 a national sales tax.

4 Whereas, A bill has been offered in the United States House of
5 Representatives, H.R. 25 of 2023, to impose a national sales tax.
6 This proposal would impose, beginning in 2025, a sales tax at an
7 effective rate of 30 percent of the pre-tax price of the taxable
8 good or service, making necessary goods and services more expensive
9 for working people in Michigan and across the nation who already
10 struggle to make ends meet; and

11 Whereas, The United States federal government currently
12 assesses a progressive income tax. Under its design, tax rates
13 increase as income rises, focusing the tax burden on the wealthiest

1 taxpayers most capable of paying. According to the Tax Foundation,
2 in 2019 the top one percent of earners paid a 25.6 percent average
3 individual income tax rate, while the bottom 50 percent of earners
4 paid an average rate of 3.5 percent; and

5 Whereas, This national sales tax proposal would replace the
6 federal income tax, which would have significantly regressive
7 consequences. A 2004 Brookings Institution analysis concluded that
8 such a 30 percent national sales tax would see taxes rise for
9 households in the bottom 90 percent of the income distribution,
10 while households in the top 1 percent would receive an average tax
11 cut of over \$75,000. This shift would tip the scales further in
12 favor of the most wealthy to the detriment of the working class in
13 Michigan and across the nation; and

14 Whereas, While the proposed legislation ostensibly addresses
15 this problem by offering a "prebate," or up-front cash grant equal
16 to the amount of sales tax that Americans must pay to maintain a
17 minimum standard of living, research shows this would ultimately
18 hurt the middle class. When the President's Advisory Panel on
19 Federal Tax Reform studied the subject in 2005, it recommended
20 against adopting a national sales tax with a "prebate" because
21 middle-income Americans would pay a larger share of the federal tax
22 burden; and

23 Whereas, Another significant issue with the proposed reform is
24 that eliminating the federal income tax would force states like
25 Michigan to substantially change their tax laws. The Michigan
26 Income Tax Act defines "taxable income" by reference to the term's
27 definition under the federal Internal Revenue Code, with additional
28 adjustments and deductions offered. Eliminating the federal income
29 tax would require Michigan to either abandon its own income tax or

1 spend resources defining concepts currently contained in federal
2 law and creating state-level systems for income reporting. Such a
3 monumental upheaval of tax law in Michigan would require the
4 expenditure of significant resources by both the government and
5 taxpayers; now, therefore, be it

6 Resolved by the Senate, That we urge the United States House
7 of Representatives not to take up H.R. 25 of 2023 or otherwise
8 impose a flat-rate national sales tax; and be it further

9 Resolved, That copies of this resolution be transmitted to the
10 Speaker of the United States House of Representatives, and the
11 members of the Michigan congressional delegation.