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RELEASE: MAY 18, 1984

SOCIAL POLICY IN THE INCOME TAX

The federal income tax is much more than a device to raise revenues to pay the costs of government. Nestled within its intricate rate structure and complicated layers of credits, exemptions, deductions, and penalties, the income tax code contains many social policies.

There is nothing the matter with taxes expressing social policy. For example, there is general public acceptance of the policy that extra consumer taxes should be levied on alcohol and tobacco which would be unacceptable on bread and milk.

In the federal income tax, there is general acceptance of the policy that the rates on capital gains may be different from the rates on ordinary income. Likewise, this nation has accepted the policy of tax advantages for homeowners through deductions for interest paid, on the theory that homeowners help to create a stable society.

Over the last 30 years, however, a new social policy has crept into the income tax without any discussion or debate by Congressmen or the American people. It is a policy of disincentives to having children and of incentives to move the wife/mother out of the home and into the paid labor force.

The question here is not how many children a couple should have, or whether women should be career homemakers or make their careers in the labor force. The question is whether the federal income tax should provide tax incentives or disincentives so that governmental policy can influence those choices.

In studying the incentives and disincentives built into the income tax structure, it is difficult to escape the conclusion that they express radical social policies which have never been approved by the American people. They surely have never been discussed by Congressmen with their constituents.

Over the last 30 years, the value of a child in the income tax code has been reduced by three-fourths. A child's exemption used to be 18 percent of the median American family income; today it is only four percent.

Is not a child today just as valuable to the family and to society as 30 years ago? Certainly it costs much, much more to raise and educate a child than it did 30 years ago.

Did you ever hear a Congressman discuss his votes to devalue a child in the income tax law, thereby making it so costly for a couple to have children? If a child were to have the same relative value as 30 years ago, the child's exemption would be more than $4,000, instead of $1,000.

The Individual Retirement Accounts (IRAs), which have become a $60 billion a year business, were created by provisions of the income tax law which give enormous tax benefits to persons who save for retirement. Yet these benefits are highly discriminatory; they value the homemaker wife at only 12-1/2 percent of the value of the man or woman in the paid labor force.

Will not the homemaker wife grow old and need savings in her senior years just as much as anyone else? If the income tax were to value the homemaker wife equally with the labor-force wife, they would each be able to put $2,000 per year into IRAs.

The tax code gives a tax credit of up to $1,440 to a mother who enters the labor force and hires someone else to look after her children. This child-care credit is denied to the mother who cares for her own children. Why does the income tax law give an advantage to the absentee mother over the resident mother?

The couple where both spouses are in the paid labor force is given an extra tax deduction of up to $3,000. The tax code denies that deduction to the traditional couple where the wife is a full-time homemaker.

The American family is under heavy attack at the present time from a variety of causes. The economic assault is the most powerful attack of all; a double whammy is dealt by inflation plus these anti-family policies injected into the income tax law.

The American income tax system is a system whereby policies and rates are set by Congress; then the individual determines what he owes under the law. This system absolutely depends on a general public perception of fairness; the American people have proved that they will pay high taxes so long as the burden is equitable.

Estimates of the amount of taxes due which are not reported or paid today run as high as $100 billion per year. The first step to improve voluntary compliance is to restore public confidence in the fairness of the tax structure itself.