



## **Tax Cuts for Cutting Stone by Aaron Crowley**

The subject of tax policy is a mystery to many people. And therefore the discussion of it is often avoided or kept at arms length.

For the everyday average teacher, bank teller, and truck driver, the topic of tax cuts is shrouded in a cloud of complicated language and misplaced emotion. This results in the commonly held belief that the wealthy, like an only child at Christmas getting all the presents, are the only ones to realize the benefit of a tax cut. Similarly it is believed that the rest of society and government funding, benefit only when taxes are raised.

Nothing could be further than the truth. History and my own personal experience in business shows clearly how tax cuts benefits the salesman out on the road, the electrician on the shop floor, and even the young lady busing tables at the hotel restaurant.

In 1921, income tax rates were cut from 70% to 25%. Revenues jumped by 32% during following 7 years, after adjustments for inflation. In 1961, the top tax rate was reduced from 90% to 70%. Again revenues rose by over 30% in the following 7 years. After the sweeping tax cuts of 1983, the inflation adjusted increases in revenue to the federal government was 28% in the following 5 years.

.For those concerned over whether tax cuts negatively impact revenue and the federal funding for education and other social programs, these historical facts should put their minds at rest as history clearly

In late fall of 2002, I was considering my first BIG purchase of major piece of equipment for my stone company. It was an automated edge machine.

After learning that my company would save a huge some of money at tax time because of the "Accelerated Depreciation Tax Incentive", I ordered the machine.

Now why would a tax incentive for a small business be important to anyone other than me? Because the following economic activity occurred:

The salesman made his commission on an \$80,000 machine. The machine was trucked form St Cloud, MN to Oregon, an \$1800 expense. Next, the machine had to be unloaded and installed by a machinery moving company – a \$1200 expense and an electrician had to be hired to hook it up - a \$3000 expense. Finally the two operators flew back to St Cloud for a week of training -\$4000 in labor, plane tickets, and hotel hot cakes and hamburgers.

These secondary financial decisions, in the form of demand for products and services are what benefit the economy and society at large. This greater demand for labor creates job scarcity and inevitably, higher wages.

Imagine the ripple effect this has when thousands of businesses across the stone industry and hundreds of other industries make similar economic decisions.

Like a radio tower sending a tune far beyond the artist's own voice, a tax cut moves the beautiful music of monetary activity to the far corners of the economy.

This economic activity is what simultaneously brings prosperity to the everyday average citizen, in the form of higher wages, and brings greater treasure to the treasury because there is simply more income to tax.

So the next time you're talking taxes with someone who's suspicious of the tax break you might have received while running your stone shop, give them a short history lesson on taxes, it will calm their fears. Then explain to them how the ripple effect of your decisions benefits everyone, including them, it will be economic music to their ears.