

**Comments for the Record**  
**United States House of Representative**  
**Committee on Ways and Means**  
**The Disproportionate Impact of COVID-19 on Communities of Color**  
Wednesday, May 27, 2020 at 12 PM

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Chairman Neal and Ranking Member Brady, welcome back and thank you for the opportunity to submit these comments for the record to the Committee. While you were away, we set out a four-part analysis of the problems with both supply-side economics and proposed wealth taxes. They are available at <http://fiscalequity.blogspot.com>.

There are two factors of concern on minority health care: the general health of the population and access to primary care.

The general health of communities of color among the working and beneficiary classes is sub-optimal, often by design. Diets provided by low wages or inadequate benefits lead to health conditions which include obesity, hypertension and diabetes. Urban air is more polluted, so asthma may be a factor, especially in children. Emergency room-based care means less of a long-term relationship than available to patients with primary care physicians. I mention these factors because they are well covered and likely will be mentioned by the scheduled witnesses.

The second factor shows that the work of healthcare reform is not yet complete. Communities of color have had higher reported cases because they still must seek care in hospitals. Those who work in low-end jobs with no sick leave must seek care outside of normal business hours.

They are often called “essential workers” but are not paid a wage that reflects how essential they really are. Because primary care physicians generally have offices outside their neighborhoods and during normal business hours, they have no choice but to go to the emergency room. Higher exposure may be an artifact of the availability of testing at hospitals compared to doctor’s offices available to upper-middle class populations.

Media coverage of emergency rooms makes it less likely that patients who are sick rely on them will seek care until it is almost too late (which may be the case with the all populations). In the beginning of the pandemic, people who were not badly ill were sent home. Many were likely not anxious to go back.

This may be the second round for minority patients. If they brought their children for care at the beginning of their local outbreak, crowded conditions may have led to exposure they would not otherwise have received. Again, they come back very sick.

The question is, how do we fix these problems?

The most obvious solution is mandatory sick leave, especially for essential workers. Higher minimum wages are necessary because this will increase wages for all but the very wealthy. The CEO class, because they are under-taxed, have an incentive to seek economic rent by cutting worker wages. Higher taxes marginally decrease these incentives. A return to the tax rates of the fifties and early sixties would eliminate them, but the political will to go that far is not there. Too many donors on both sides assure that it will not be any time soon.

The benefit of more money, especially for people of color, is economic advancement and a generally better lifestyle. Workers with more money seek more education. Paid education for displaced workers at higher minimum wage level to meet their opportunity costs will enable career advancement. Those essential, lower wage workers, will benefit from having a smaller labor pool, forcing employers to raise wages even higher. Evidence shows that more money is the answer to poverty.

The contention that giving people more money will cause indolence. The truth is that social policies that assume that workers will not spend money well have their origins in the reactionary desire to maintain a pool of low wage workers to do the jobs that others would not do, save for poverty and racism.

The tax reform advanced by the Center (see the attached plan), particularly the high salary surtax and the asset value added tax will decrease incentives to rent seek by keeping wages lower (some would call that stealing – we certainly do). The subtraction VAT will raise more money for human services, such as Medicare for All.

The SVAT will also give employers the incentive to pay families a higher wage via an increased child tax credit at median income levels, to offer superior quality health insurance or direct care in the workplace, as well as both healthy and sick daycare and to provide an additional credit for paid training for employees from ESL and GED to Associates degrees and beyond.

Improving the lives of the working class, particularly for families of color, will lead to a healthier population that is more resistant to disease outbreaks in the future. We only need to abandon the notion that keeping people poor will make them seek a better life through work. This is a sick joke designed to guarantee a supply of low wage labor, particularly by people of color, so that they will be forced to work jobs that no one else wants.

Immigration reform is also part of the equation. Our illegal economy (not the workers, but the working conditions, lack of union representation and low pay) forces undocumented workers to come to work sick or face a call to the Department of Homeland Security. The government is actively engaged in what amounts to human trafficking. Reform will end this.

Thank you for the opportunity to address the committee. We are, of course, available for direct testimony or to answer questions by members and staff.

## **Attachment - Tax Reform, Center for Fiscal Equity, February 21, 2020**

**Individual payroll taxes.** These are optional taxes for Old Age and Survivors Insurance after age 60 (or 62). We say optional because the collection of these taxes occurs if an income sensitive retirement income is deemed necessary for program acceptance. Higher incomes for most seniors would result if an employer contribution funded by the Subtraction VAT described below were credited on an equal dollar basis to all workers. If employee taxes are retained, the ceiling should be lowered to \$75,000 reduce benefits paid to wealthier individuals and a floor should be established so that Earned Income Tax Credits are no longer needed. Subsidies for single workers should be abandoned in favor of radically higher minimum wages.

**Wage Surtaxes.** Individual income taxes on salaries, which exclude business taxes, above an individual standard deduction of \$75,000 per year, will range from 6% to 36%. This tax will fund net interest on the debt (which will no longer be rolled over into new borrowing), redemption of the Social Security Trust Fund, strategic, sea and non-continental U.S. military deployments, veterans' health benefits as the result of battlefield injuries, including mental health and addiction and eventual debt reduction. Transferring OASDI employer funding from existing payroll taxes would increase the rate but would allow it to decline over time. So would peace.

**Asset Value-Added Tax (A-VAT).** A replacement for capital gains taxes, dividend taxes, and the estate tax. It will apply to asset sales, dividend distributions, exercised options, rental income, inherited and gifted assets and the profits from short sales. Tax payments for option exercises and inherited assets will be reset, with prior tax payments for that asset eliminated so that the seller gets no benefit from them. In this perspective, it is the owner's increase in value that is taxed. As with any sale of liquid or real assets, sales to a qualified broad-based Employee Stock Ownership Plan will be tax free. These taxes will fund the same spending items as income or S-VAT surtaxes. This tax will end Tax Gap issues owed by high income individuals. A 24% rate is between the GOP 20% rate and the Democratic 28% rate. It's time to quit playing football with tax rates to attract side bets.

**Subtraction Value-Added Tax (S-VAT).** These are employer paid Net Business Receipts Taxes. S-VAT is a vehicle for tax benefits, including

- Health insurance or direct care, including veterans' health care for non-battlefield injuries and long term care.
- Employer paid educational costs in lieu of taxes are provided as either employee-directed contributions to the public or private unionized school of their choice or direct tuition payments for employee children or for workers (including ESL and remedial skills). Wages will be paid to students to meet opportunity costs.
- Most importantly, a refundable child tax credit at median income levels (with inflation adjustments) distributed with pay.

Subsistence level benefits force the poor into servile labor. Wages and benefits must be high enough to provide justice and human dignity. This allows the ending of state administered subsidy programs and discourages abortions, and as such enactment must be scored as a must pass in voting rankings by pro-life organizations (and feminist organizations as well). To assure child subsidies are distributed, S-VAT will not be border adjustable.

The S-VAT is also used for personal accounts in Social Security, provided that these accounts are insured through an insurance fund for all such accounts, that accounts go toward employee-ownership rather than for a subsidy for the investment industry. Both employers and employees

must consent to a shift to these accounts, which will occur if corporate democracy in existing ESOPs is given a thorough test. So far it has not. S-VAT funded retirement accounts will be equal dollar credited for every worker. They also have the advantage of drawing on both payroll and profit, making it less regressive.

A multi-tier S-VAT could replace income surtaxes in the same range. Some will use corporations to avoid these taxes, but that corporation would then pay all invoice and subtraction VAT payments (which would distribute tax benefits. Distributions from such corporations will be considered salary, not dividends.

**Invoice Value-Added Tax (I-VAT)** Border adjustable taxes will appear on purchase invoices. The rate varies according to what is being financed. If Medicare for All does not contain offsets for employers who fund their own medical personnel or for personal retirement accounts, both of which would otherwise be funded by an S-VAT, then they would be funded by the I-VAT to take advantage of border adjustability. I-VAT also forces everyone, from the working poor to the beneficiaries of inherited wealth, to pay taxes and share in the cost of government. Enactment of both the A-VAT and I-VAT ends the need for capital gains and inheritance taxes (apart from any initial payout). This tax would take care of the low-income Tax Gap.

I-VAT will fund domestic discretionary spending, equal dollar employer OASI contributions, and non-nuclear, non-deployed military spending, possibly on a regional basis. Regional I-VAT would both require a constitutional amendment to change the requirement that all excises be national and to discourage unnecessary spending, especially when allocated for electoral reasons rather than program needs. The latter could also be funded by the asset VAT (decreasing the rate by from 19.5% to 13%).

As part of enactment, gross wages will be reduced to take into account the shift to S-VAT and I-VAT, however net income will be increased by the same percentage as the I-VAT. Adoption of S-VAT and I-VAT will replace pass-through and proprietary business and corporate income taxes.

**Carbon Value-Added Tax (C-VAT).** A Carbon tax with receipt visibility, which allows comparison shopping based on carbon content, even if it means a more expensive item with lower carbon is purchased. C-VAT would also replace fuel taxes. It will fund transportation costs, including mass transit, and research into alternative fuels (including fusion). This tax would not be border adjustable.

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This submission is made on behalf of the American people but by no clients, persons and/or organizations on whose behalf the comments are provided.