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Congress of the United States  
House of Representatives  
Washington, DC 20515-0502

May 6, 2005

## Join the Anti-VAT Caucus

Dear Colleague:

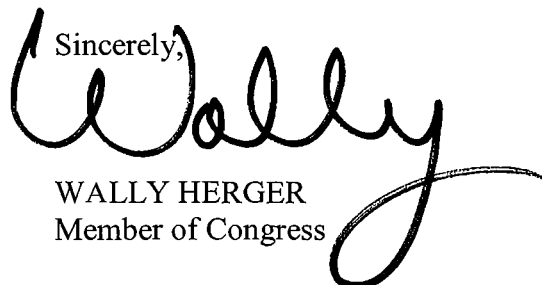
Congress today is considering many reforms that will enhance and strengthen America's institutions for the new millennium. From tax reform to legal reform to personal accounts in Social Security, much is being done for the American people. **However, one idea that has been considered recently would be a bad deal for America: the value added tax (VAT).**

**The VAT is not like a national retail sales tax.** A sales tax is a line-item on a cash register receipt, and is easily known by the consumer: a very effective check on raising the sales tax rate. The VAT, on the other hand, is inherent in the final cost of the goods sold, and is hidden to the consumer. It is applied at every stage of consumption, from wholesale to retail, and passed along until it literally becomes as much an inherent and cloaked component of price as transportation or raw materials. As a result, countries that have adopted a VAT have been sorely tempted to raise the rate over time.

In Europe, a small VAT was first enacted in 1967. At that time, Europe and the United States both confiscated about \$.27 out of every dollar of national income. Since the introduction of the VAT in Europe, its average tax take has gone from 27% to 41%, nearly a 50% increase in just four decades. There is currently a minimum VAT requirement of 15% to be a member of the European Union, and an average VAT rate of 20%. Meanwhile, the VAT-less United States still taxes at about the same level as it did in 1967.

The VAT tax has been discussed as a possible way to pay for retirement security reform, tax reform, and other worthy initiatives. The experience of Europe, however, should teach us that the imposition of a VAT, even in the pursuit of very worthy ends, is too often the precursor to bigger government. **It is simply too easy for politicians to raise a tax that is hidden from citizens.**

That is why I am pleased to announce the formation of the "Anti-VAT Caucus." The Caucus has no dues to pay, and all you need to do is sign up. 45 current members of Congress expressed opposition to a VAT when it was last proposed, and I hope that this base can be expanded greatly in this Congress. **If you would like to join the anti-VAT caucus, please contact Dan MacLean on my staff at x. 5-3076.**

Sincerely,  
  
WALLY HERGER  
Member of Congress