Business Taxes

1a. Business Gross Sales Tax

The point of being in business is to make money. Corporations take this very seriously and realize that the less they pay in taxes the more money they make for themselves and their investors. The artificially created tax deduction affords them this opportunity. Businesses subtract deductions from their gross revenues to determine the net profit, and the net profit is then used as the basis for determining taxes owed.

With passage of the Tax Cuts and Job Act of 2017,[1] the corporate tax rate on net profit was reduced from 35% to 21%.[2] However, since it did not eliminate most business deductions, corporations continue to use them while at the same time incentivizing our elected officials to create new ones so that they can lower their tax liability even more.

For example, some of the deductions corporations want to keep include the rent or purchase of opulent buildings and furnishing them with expensive furniture and art, travel expenses, and private jets. Business deductions still permit and encourage corporations to purchase or lease luxury cars, condominiums and homes, and to write off lavish meals.[3] [4] All of these deductions legitimize the lowering of net profit so that less is paid in taxes, shorting the government of revenue it should receive.

The tax code also includes hidden tax breaks unknown to the general public. According to a Citizens for Tax Justice report analyzing corporate and individual tax breaks (1995 - 2002), "Among the hidden entitlements that the study particularly targets as generally both unfair and bad economics are business and investment tax subsidies costing $1.3 trillion over the next seven years. These "corporate and high-income welfare programs" include:

- Multinational tax breaks, costing at least $95 billion over seven years.
- Capital gains tax loopholes, costing $258 billion over seven years (not counting the congressional GOP's huge proposed increases in capital gains tax entitlements).
- Tax breaks for mergers and acquisitions.
- Business meals and entertainment write-offs ($44 billion over seven years).
- Accelerated depreciation, with an estimated cost of $259 billion over the next seven years (not counting the colossal expansion of these corporate tax subsidies that was included in the House Republicans' "Contract With America").
- Tax benefits for insurance companies and their products ($204 billion in 7 years).
- Oil, gas and energy tax breaks ($21 billion over seven years).
- Tax breaks for timber, agriculture, and minerals ($10 billion over seven years).
- Tax breaks for banks and other financial institutions ($7 billion over seven years).
- Tax subsidies for state and local bonds, especially the subsidies for non-public purpose bonds. The latter will cost $92 billion over the next seven years.[5]

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[1]https://www.cbo.gov/publication/53787 This legislation will also produce a $1.9 trillion deficit.

[2]The average corporate tax rate on profits from new investments made in the U.S. was 24 percent; the average corporate rate on profits from new investments made by companies in other "Group of Seven" (G-7) industrialized, democratic countries, weighted by the size of their economies, was 21 percent https://www.cbpp.org/research/federal-tax/actual-us-corporate-tax-rates-are-in-line-with-comparable-countries

[3]http://www.nbcnews.com/id/3340979/ns/business-corporate_scandals/t/jurors-shown-video-birthday-bash/#.UyYr4vldXHs

[4]https://americansfortaxfairness.org/key-facts-american-corporations-really-trump-tax-cuts/

[5] http://www.ctj.org/html/hidenpr.htm

Another outragious example comes from the hospital industry. Recently, a senior citizen had a kidney stone removed from his ureter. The hospital billed Medicare $80,771 even though he was in their facility for only one and one-half days. Medicare paid, and the hospital accepted, $3,974 for their over-inflated charges (e.g. charging $6,826 for the three hours he spent in the shared recovery room), and the balance was written off as bad-debt. The bad-debt was then applied against their gross revenues to reduce their net profit by $76,797, thus lowering their corporate tax obligation.
Even more egregious examples include the "check-the-box" loophole, the "Hewlett-Packard" loophole, the "Real Estate Investment Trust" loophole, the "carried interest" loophole, the "earnings stripping" loophole, and the "valuation discount" loophole. Just closing these six loopholes would raise more than $100 billion over the next decade.[6]

Because of the success of lobbyists who represent the largest and most powerful corporations, the current tax code is now filled with so many deductions and specially crafted tax breaks that some businesses that are very profitable pay little or no taxes or often have money refunded to them.[7] In fact, with passage of the Tax Cuts and Job Act of 2017, 60 of America's largest corporations paid no federal tax in 2018.[8] And, the code has become so complex that entirely new businesses have evolved to navigate corporations through the tax code taking their payments as a percentage of tax dollars saved to the client.

The mistake of allowing a business to apply deductions against their gross sales to lower their net profit, which lowers their tax obligation, prevents the government from collecting the true amount owed.[9] <u>This effectively shifts a disproportionate amount of the tax burden onto those who cannot access these deductions, the middle-class and the working poor</u>.

The solution

<u>The solution to this unacceptable situation is simply to replace the business tax on net profits with a small tax on gross sales</u>. By definition, the tax on gross sales means that there are no deductions. This simple, straightforward reform takes away the basic incentive for most business tax fraud and the opportunity for corporations to avoid paying their fair share. The Business Gross Sales Tax would look like this:

Bracket	Annual Gross Sales		Tax		Tax Owed
1	$1 – $250,000	x	0.50%	=	
2	$250,001 – $500,000	x	0.75%	=	
3	$500,001 – $1,000,000	x	1.00%	=	
4	$1,000,001 – $2,500,000	x	1.30%	=	
5	$2,500,001 – $5,000,000	x	1.70%	=	
6	$5,000,001 – $10,000,000	x	1.90%	=	
7	$10,000,001 $50,000,000	x	2.10%	=	
8	$50,000,001 and above	x	2.25%	=	
				Total Tax Due:	

[6] http://act.credoaction.com/sign/sanderstaxloopholes?t=2&akid=13946.7934487.Juek6Y
[7] http://ctj.org/taxjusticedigest/archive/2012/02/press_release_general_electric.php#.UyZWuPldXHs
https://www.zdnet.com/article/apple-avoided-billions-in-taxes-aimed-for-holy-grail-of-tax-avoidance-panel-says/
[8] http://fortune.com/2019/04/11/amazon-starbucks-corporate-tax-avoidance/
[9] http://www.ctj.org/corporatetaxdodgers/sorrystateofcorptaxes.php
http://www.urban.org/books/TTP/alm.cfm
http://www.middleclasspoliticaleconomist.com/2012/01/irs-finds-us-tax-evasion-385-billion.html
http://en.wikipedia.org/wiki/Tax_evasion_in_the_United_States

EXAMPLE - To calculate the Business Gross Sales Tax on annual gross sales of $725,000:

- Separate the annual gross sales into the corresponding gross sales bracket(s).
- Multiply by the corresponding tax and place this amount in the Tax Owed column.
- Add up the Tax Owed column to determine the Total Tax Due.
- In this case, the Business Gross Sales Tax is only $5,375 as detailed below:

Bracket	Annual Gross Sales		Tax		Tax Owed
1	*First* $250,000	x	0.50%	=	$1,250
2	*Next* $250,000	x	0.75%	=	1,875
3	*Balance* $225,000	x	1.00%	=	2,250
4	$1,000,001 – $2,500,000	x	1.30%	=	
5	$2,500,001 – $5,000,000	x	1.70%	=	
6	$5,000,001 – $10,000,000	x	1.90%	=	
7	$10,000,001 $50,000,000	x	2.10%	=	
8	$50,000,001 and above	x	2.25%	=	
				Total Tax Due:	**$5,375**

Simplifying the tax code by replacing the tax on net profits with a small tax on gross sales accomplishes the following:

1. It removes the basic defect that encourages waste, fraud, and corruption: the tax deduction.
2. It levels the playing field of taxation. Now all businesses will be paying taxes and all businesses will be paying at the same rates.
3. Since all businesses will be paying taxes, government revenue from the federal business tax will increase from $329.3 billion (fiscal 2012)[10] to at least $664 billion per year.[11] This means that over the next ten years the Business Gross Sales Tax will bring in an additional $3.34 trillion to the treasury.

   Update: With passage of the Tax Cuts and Jobs Act of 2017, things get much worse. The Congressional Budget Office estimates that revenue from corporations for 2018 will be only $243 billion.[12] And, the revised forecast for the total projected deficit over the 2018–2028 period from this bill will rise to $1.9 trillion.[13] This highlights the necessity of adopting this tax reform proposal.
4. Since the tax on gross sales is so small, most businesses will be minimally impacted. For example, for those businesses that gross up to $1 million annually, the average tax is less than 1%. For those that gross up to $2.5 million annually, the average tax is less than 1.1%. And, for those that gross up to $10 million annually, the average tax is less than 1.65%.
5. Since the tax on gross sales is so small, it allows for an expansion of payroll taxes to include an increase in the Medicare obligation, along with a new payroll tax for National Health Care.

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[10] https://www.whitehouse.gov/sites/default/files/omb/budget/fy2012/assets/receipts.pdf
Table 15-5 Receipts by Source (Page 220)
[11] See Appendix F
[12] https://www.cbo.gov/topics/taxes
[13] https://www.cbo.gov/publication/53787

For example, a business with annual gross sales of $100,000 falls within the first bracket which includes gross sales up to $250,000. The $100,000 is multiplied by the 0.5% tax, which comes to $500, and this represents the entire business tax due the federal government. (See Appendix A).

ADDITIONAL EXAMPLES:

Annual Gross Sales		Gross Sales Tax		Gross Sales Tax as % of Gross Sales
$100,000		$500		0.500%
400,000		2,375		0.593
500,000		3,125		0.625
750,000		5,625		0.750
1,000,000		8,125		0.812
1,500,000		14,625		0.975
3,000,000		36,125		1.204

6. Since the tax on gross sales remains the same no matter how high profits might increase to, the tax on gross sales actually *rewards* businesses for being more profitable by **not** increasing taxes as profits rise**.**

For example, if a business has gross sales of $180,000 in its first year with a net profit of $9,000 (5%), its current federal business tax would be $1,350. However, in the proposed tax system, the gross sales tax of the same business would be only $900.

And, if in the second year this business had a net profit of $18,000 (10%), its federal business tax would rise to $2,700, while in the proposed tax system it would remain at $900.00. And, if in the third year this business had a net profit of $27,000 (15%), its federal business tax would rise to $4,050, while in the proposed tax system it would remain at only $900. Additional examples:

Annual Gross Sales	Net Profit	Business Tax Current Tax System	Business Tax Proposed Tax System
$180,000	$9,000 (5%)	$1,350	$900
	18,000 (10%)	2,700	900
	27,000 (15%)	4,050	900
$750,000	37,500 (5%)	5,625	5,625
	75,000 (10%)	13,750	5,625
	112,500 (15%)	27,375	5,625
$1,500,000	75,000 (5%)	13,750	14,625
	150,000 (10%)	41,750	14,625
	225,000 (15%)	71,000	14,625
$8,000,000	400,000 (5%)	136,000	127,125
	800,000 (10%)	272,000	127,125
	1,200,000 (15%)	408,000	127,125

7. The shift from taxing net profits to gross sales means that the business gross sales tax is now so easy to calculate that anyone can learn to do it in under two minutes. This will save corporations thousands of dollars in accounting fees.

8. Because current tax law does not require U.S. corporations to repatriate profits from their foreign subsidiaries, trillions of dollars that should be subject to taxation are instead held in foreign bank accounts. The tax on gross sales eliminates this problem since corporations are now taxed on their worldwide revenues as reported on their balance sheets, and thus unconcerned with the net profits of their foreign subsidiaries.

9. Eliminating the tax deduction means that the peripheral businesses that have grown up around this defect, whose sole purpose has been to use the deduction to reduce, delay, or eliminate taxes owed, will, by necessity, find new and better ways to become more productive assets to society.

10. Eliminating the tax on net profit and replacing it with a small tax on gross sales is capitalism in its purest form. Now all businesses will compete on a level playing field and the inequity associated with our current tax system will be eliminated.

Of course, there will be those who complain that the tax on gross sales is unfair because it taxes a business during a time when a business is not profitable. This criticism is unjustified. For example, assume we have a business with gross revenues of $400,000 but expenses of $500,000. In this case, the amount owed from the gross sales tax is only $2,375. In relation to other business obligations, it's a relatively small bill among the many bills that must be paid.

Additionally, these critics do not make the same argument in relation to other business expenses. For example, they do not demand that the landlord forgo collecting the rent during the time when the tenant is not making a profit. Nor do they demand payment exemptions from the vendors they purchase goods from or for the business license, attorney fees, accounting fees or other costs associated with running a business during the time when a business is losing money.

The Business Gross Sales Tax will apply to the vast majority of businesses. However, there are always exceptions. So, for those businesses who feel that the methodology employed here to determine taxes owed does not apply to their situation, they can appeal directly to the Department of the Treasury for possible relief.

After the initial criticism dies down, the tax on gross sales will be seen as just another business expense that must be accounted for when one decides to be in business. The small tax on gross sales will not be the deciding factor that determines whether a business is successful or not. However, it will ensure that the government collects the true amount of revenue owed from all businesses no matter how big, small, or profitable.

b. Business Payroll Taxes

Because the tax on gross sales is so small, it allows for an expansion of payroll taxes to include an increase in the Medicare obligation, along with a new payroll tax for National Health Care. The proposed payroll taxes would look like this:

- The Medicare obligation will **increase** from 1.45% to 2.8%, and this contribution continues no matter how high the employee's salary might rise too.
- The Social Security obligation will **decrease** from 6.2% to 5.2%. However, since the artificially imposed $110,100 cap on Social Security contributions has been removed, the employer must continue to pay the 5.2% Social Security payroll tax obligation into the Social Security Trust Fund no matter how high the annual wage might increase too.
- A 3% payroll tax for National Health Care has been added.
- Business payroll tax obligations will now total 11%, compared to the current total of 7.65%.

Examples of proposed business payroll tax obligations

Employee Annual Salary	Social Security (5.2%)	National Health Care (3%)	Medicare (2.8%)	Total Annual Payroll Taxes	Monthly Expenditure
20,000	1,040	600	560	2,200	183
30,000	1,560	900	840	3,300	275
40,000	2,080	1,200	1,120	4,400	366
50,000	2,600	1,500	1,400	5,500	458
80,000	4,160	2,400	2,240	8,800	733
100,000	5,200	3,000	2,800	11,000	916

The table below shows the hourly wage increases generated by the proposed payroll taxes. For example, when payroll taxes are added to an employee earning $7.25/hr. under the current system, the employer is actually paying $7.80/hr. In the proposed system, the increased payroll tax obligation raises the hourly wage of an employee making $7.25/hr. to $8.05/hr., an increase of only $0.25/hr. More examples:

Hourly Wage Increase from Proposed Business Payroll Taxes

Current Tax System			***Proposed Tax System***			
Hourly Wage	Payroll Tax	Total/hr.	**Hourly Wage**	**Payroll Tax**	**Total/hr.**	**Increase/hr. vs. current system**
$7.25/hr	7.65%	$7.80/hr	**$7.25**	**11%**	**$8.05/hr**	**$0.25/hr**
8.50	7.65	9.15	**8.50**	**11**	**9.44**	**0.29**
10.00	7.65	10.77	**13.00**	**11**	**11.10**	**0.33**
12.00	7.65	12.92	**12.00**	**11**	**13.32**	**0.40**
15.00	7.65	16.15	**15.00**	**11**	**16.65**	**0.50**
18.00	7.65	19.38	**18.00**	**11**	**19.98**	**0.60**
20.00	7.65	21.53	**20.00**	**11**	**22.20**	**0.67**
25.00	7.65	26.91	**25.00**	**11**	**27.75**	**0.84**
50.00	7.65	53.83	**50.00**	**11**	**55.50**	**1.67**

Business Health Care Obligations

Today, nearly all major corporations contract with private, for-profit health insurance companies to provide health insurance for their employees. The health insurance companies are continually raising prices, and the average annual premiums for employer-sponsored health insurance in 2012 is $5,615 for single coverage, and $15,745 for family coverage.[14] This translates into monthly premiums of $468 for individuals and $1,312 for families.

Because this plan replaces for-profit health insurance companies with National Health Care, business health care obligations will be significantly reduced. For example, if an employee earns $40,000 per year, the corporate health care obligation in this plan would be only $193.33/month, and this includes coverage for the whole family. Also included in this premium is the business Medicare contribution, which is not included in current employer-sponsored health premiums. If it were, it would add another 1.45% to its' cost.

[14] https://kaiserfamilyfoundation.files.wordpress.com/2013/03/8346-employer-health-benefits-annual-survey-summary-of-findings-0912.pdf

This proposal also eliminates the distinction between an individual and their family, so employers will not be burdened with the higher premiums currently required for family coverage. Their contribution is based solely on the employee's annual gross wage. When viewed from the employer perspective, this represents an enormous and welcomed savings to businesses.

Examples of Proposed Business Health Care Expenditures:

Employee Annual Salary	National Health Care (3%)		Medicare (2.8%)		Total Annual Health Care Costs	Monthly Premium
20,000	600	+	560	=	1,160	$96.90
30,000	900	+	840	=	1,740	145.00
40,000	1,200	+	1,120	=	2,320	193.33
50,000	1,500	+	1,400	=	2,900	241.67
80,000	2,400	+	2,240	=	4,640	386.67
100,000	3,000	+	2,800	=	5,800	483.34

<u>Since this plan requires all businesses to contribute to National Health Care, there will no longer be an incentive for some businesses to reduce their employees to part-time status in order to avoid paying for health care</u>. This levels the playing field for American businesses. And, because employer contributions will be supplemented by individual contributions, and the revenue from Medicare will be incorporated into the National Health Care Trust Fund, National Health Care will be fully funded.

An added benefit from National Health Care is the effect it will have on business worker compensation premiums. Since everyone is now covered by National Health Care, and since it has already been paid for, that portion of the premium dedicated to the injured workers medical care will be eliminated. The money saved by paying this lower premium will present as a giant windfall profit to business. The combination of the small tax on gross sales, the lower premium for workers' compensation insurance, and the savings generated by National Health Care translates into lower overall corporate taxes, and these will be some of the reasons for their acceptance of this plan.

Social Security Obligations

One question that continually perplexes analysts is, "Why do business Social Security contributions stop when salaries reach $110,100?" The current explanation is that contributing to Social Security on salaries over $110,100 places an undue financial burden on a corporation's financial health. This belief is unjustified, and is exposed and rendered moot in this proposal.

Simply argued, a corporation only hires and pays an employee at $110,100 or more if it is successful. If a corporation can afford to hire an employee at a salary of, for example, $250,000, then it can afford to pay the additional $8,674 that would be required if the $110,100 payroll cap was removed. Therefore, the continuing tax obligation to Social Security on salaries over $110,100 does not constitute an undue financial burden to corporations The cap is simply another loophole for corporations to avoid paying their fair share of taxes.

The reality is that corporations do not want to pay taxes. From their perspective, paying taxes lowers profit. The corporate position is simply to lobby congress to change laws and abolish any financial obligation it can legally avoid. From this point of view, it is easy to understand why corporations so strongly support this two-tiered Social Security system. Unfortunately, it creates two unequal contribution levels which inevitably leads to the unfairness that permeates our tax system.

In the case of Social Security, all corporate obligations should be treated equally. This is accomplished by eliminating the artificially imposed cap on wages after which corporate contributions stop. Without this cap, all contributions will be treated uniformly, and the profits corporations make by not paying into the Social Security Trust Fund on salaries over $110,100 will be redirected into the Social Security Trust Fund. Corporations will suffer no ill effects while the new payroll tax revenue will help increase benefits to the recipients of Social Security.

At this point it must be emphasized that even though business payroll obligations have increased from 7.65% to 11%, the savings generated from the Business Gross Sales Tax, combined with the savings produced by replacing for-profit health insurance companies with National Health Care not only offsets the increase, but results in an overall decline in business tax liability. To prove that this is true, please refer to Appendix A to determine taxes owed, and then to Appendix B to compare what you pay in the current system to what you can expect to pay in the proposed system.

c. Foreign Business Taxes

Today, all types of manufacturing and service jobs go to those nations that provide the cheapest labor and least regulation regarding human rights. It goes to countries that provide a business environment that allows for the most profit at the expense of their workers. Often this means the use slave labor, child labor, exploitation of women, unfair wages, and unsafe working conditions to keep costs down.

It also goes to those countries that provide a business environment that allows for the most profit at the expense of the environment. Environmental damage occurs because protection policies are not in place, or, if they are, they are not enforced

Since American manufacturers are forbidden from engaging in such behavior, our production costs are higher. This uneven playing field allows foreign manufacturers to sell their goods and services to us and the rest of the world at cheaper prices. This is their competitive edge.

Outsourcing and its consequences

In search of greater profits, American manufacturers seek out these venues.[15] This is the main reason American jobs are lost to foreign countries and why American workers have no sense of security regarding the jobs they have here. The threat of closing a factory and moving it to a foreign country, where productions costs are based on, among other things, unfair wages, is the leverage used to force down wages and benefits in the United States. This puts enormous pressure on American workers to accept less than just and fair compensation, and work for less than a living wage.

As overseas outsourcing has expanded, U.S. manufacturing has suffered the brunt of the blow. According to a report on outsourcing by Working America, "Manufacturing employment collapsed from a high of 19.5 million workers in June 1979 to 11.5 workers in December 2009, a drop of 8 million workers over 30 years. Between August 2000 and February 2004, manufacturing jobs were lost for a stunning 43 consecutive months—the longest such stretch since the Great Depression."

Manufacturing plants have also declined sharply in the last decade, shrinking by more than 51,000 plants, or 12.5 percent, between 1998 and 2008. These stable, middle-class jobs have been the driving force of the U.S. economy for decades and theses losses have done considerable damage to communities across the country.[16]

The solution

The solution to the outsourcing of American jobs to foreign countries are the special taxes found in Section 1.c.iv. These taxes directly target the nefarious conditions used to produce goods and services that American manufacturers cannot compete with, and, when applied, will force foreign production costs too rise.

For example, Section 1.c.iv.1) states, "If the foreign manufacturer pays unfair wages, the tax shall be 50%." (Unfair wages defined as the foreign manufacturer paying less than 80% of wages paid in a corresponding American industry after adjusting for currency differences.)

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[15]http://www.alternet.org/election-2012/inside-bains-chinese-sensata-factories-where-workers-put-12-hour-days-99-135-hour

[16] https://www.americanprogress.org/issues/labor/news/2012/07/09/11898/5-facts-about-overseas-outsourcing/

EXAMPLE:
$1 US Dollar = $10 Foreign Country Dollars
Foreign wage paid to workers shall be at least 80% of U.S. wage in corresponding industry

Wages	Hourly Wage in U.S. Industry	Foreign Manufacturers Minimum Hourly Wage To Avoid Special Tax 1.c.ii.4
Wage 1	$10/hr	$8/hr ($80/hr in Foreign Dollars)
Wage 2	$15/hr	$12/hr ($120/hr in Foreign Dollars)
Wage 3	$20/hr	$16/hr ($160/hr in Foreign Dollars)

If $1US Dollar = $10 foreign currency dollars, and if the prevailing wage in a U.S. industry is $20/hr, then the corresponding wage in the foreign country producing the product must be at least $160/hr in their currency. If a manufacturer is not paying their workers at least $160/hr, then the product they are selling will suffer the 50% penalty. So, if the product being sold into the United States for $1,000 is subject to the 50% penalty, $500 will be paid to the U.S. government prior to clearing customs.

Manufacturers would then have to transfer this $500 tax to the products selling price, and this would make it much more expensive, probably too expensive for the American public to purchase. They would soon realize that paying fair wages cancels outs this tax and facilitates the exporting of their product to the United States, one of the most lucrative markets in the world.

Once American manufacturers realize that there is no longer an advantage to outsourcing labor and service costs to foreign countries, most manufacturing will remain in the United States. The end-result will be millions of good paying jobs remaining in and returning to our country creating benefits to our economy that are virtually incalculable.

Illegal immigration
One of the main reasons people attempt to enter the United States illegally is poverty. The crushing poverty we see in foreign countries centers around the lack of livable wage jobs, and too many of the available jobs have unsafe working conditions, lack healthcare benefits, and exploit women and children. These are the conditions that force workers to look to the United States for the jobs that will support themselves and their families.

The taxes outlined in Section 1.c.iv. address these issues. When implemented, Section 1.c.iv. will ensure fair wages and protections for workers in foreign countries and effectively deal with the problem of child labor. Wages will go up, working conditions will improve, and the exploitation of women and children will diminish. Workers will be able to provide a higher standard of living for their families and their future will be brighter. The resulting decline in poverty will take away the main incentive that encourages millions of immigrants to enter the United States illegally.

Avoiding the special taxes
It should be noted that these special taxes do not have to be incurred. The offending manufacturers have twelve months from the date these taxes are signed into law to change their policies, and if they do, the taxes are automatically stopped.

For example, if they want to remove the 50% penalty for polluting the environment during the production of iron and steel, they simply manufacture these products under the regulations set forth by the U.S. Environmental Protection Agency. And, once the offending manufacturers are no longer subject to these special taxes, they will only pay the 4% import tax specified in Section 1.c.i.

It must be emphasized that Section 1.c. also bans the importation of all products made using slave labor and/or child labor that is in violation U.S. child labor laws. Therefore, all products that were mistakenly allowed into the United States that were later found to be manufactured under these conditions will be confiscated and destroyed.

The myth of free trade

The critics will immediately complain that the taxes found in Section 1.c.iv. are not the right approach. They will talk of “free trade” as the most plausible way in which to encourage economic prosperity and the transition to democratic values in foreign countries. However, with all the differing trade agreements, built in protections for domestic industries, and uneven enforcement of existing trade agreements, there really is no such thing as free trade.

In fact, it is ironic that the phrase, "free trade" is used at all since it does not really address the issues of, and therefore continues to allow foreign manufacturers to use slave labor, child labor, exploitation of women, unfair wages, unsafe working conditions, and damage to the environment as the cost cutting strategies used to manufacture their products. Until these conditions are eliminated, the critics are, in effect, defending this unjust behavior.

Since free trade (i.e., globalization) has not brought about the changes its proponents have predicted, new tactics must be employed, and these special taxes will lead the way. Once they are signed into law, the twelve-month compliance schedule begins. This ticking clock will create the pressure, both internal and external, on the offending manufacturers to correct their unjust labor policies and environmentally damaging practices, because, if they don’t, they will face economic peril.