Constitutional Class II Taxes

All taxes violate the objective right to the product of one's labor. Debt by the government is a financial burden forced upon the population. Like taxes, government debt is also theft. Taxes and debt are only possible in a sovereignty or with class III legislation.

Nevertheless, free and individually sovereign people have the right to raise revenue over and above the Earth Dividend for special projects, such as a new library, bridge, community center, or fire station.

The constitution designates certain well-defined taxes as class II. The consumption tax is the collection method for most taxes designated as class II. A 2/3 plurality of the dominion can approve a class II tax.

Although they are often equated, the difference between a consumption and a sales tax is immense.

A sales tax is collected from businesses in the dominion: the more retail outlets and business they do, the greater the tax revenue.

With a consumption tax, taxes are collected only from consumers who live in the district, only as the money is spent. The tax is applied regardless of where or how the purchase is made.

Unlike the sales tax, the merchant never sees the tax and has no issues with tax accounting. Unlike a sales tax, only people who live in the dominion that approved the tax by a 2/3 plurality pay the tax.

The people who pay the tax benefit from the tax.

Perhaps one of the starkest differences between a sales tax and a consumption tax involves the community's relationship with the local police. A police force, supported by a sales tax, will naturally protect businesses within the district. Such a force has no incentive to protect people. People in the district who are not shoppers are seen as predators.

With a consumption tax, as with an Earth Dividend, the community supports the police. Local retail does not add to dominion coffers (yet still requires dominion services).

There is little incentive for police to protect businesses that are not considered convenient for residents or integrated with resident collectives. Integrity and uniform application of the law are essential, as they are today. However, the subtle bias of officers will shift from local merchants to residents.

The primary class II consumption tax is to finance infrastructure. To meet the constitutional criteria for class II status, the tax must be earmarked for a project and can only be spent on that project. Specifically, the entire project is done with VIP-enforced budgeting, with the project budget available for scrutiny and debate before the vote.

Dominion residents must be able to follow the expenditures in the Elsie Toolkit throughout the project's life. The maximum duration of such a tax is two years, even if the project is incomplete. If incomplete, a new tax with a new budget must be ratified. A simple majority of dominion residents can revoke the tax at any time.

Another class II consumption tax likely permitted by the constitution is excise or “sin” taxes on specific products or classes. These are ongoing until repealed. Revenue must be earmarked, and residents must be able to follow expenditures. They are revocable at any time by a simple majority of dominion residents.

Dominions with higher-than-average consumption taxes benefit from the increased balance of trade surplus. Exports (sales to those who do not live in the dominion) are cheaper and more significant than imports (purchases by dominion residents). Tax-free sales to those outside the federation are especially favored.

Earth Dividend distributions are exempt from a consumption tax, making the consumption tax moderately progressive.

There is no consumption tax for the payment of labor or the purchase of capital goods, including inventory, parts, and materials. However, machinery and tools used in the production process are subject to the tax as they do not have an n:m relationship with output goods, and their usage can be corrupted.

The consumption tax can be avoided by trading in an alternative currency.

The 2% Discretionary Consumption Tax

Some believe a discretionary consumption tax should remain class III. However, the revenue from this tax is paid out at the discretion of the same taxpayer who paid the tax. It is forced crowdfunding. Like all class II taxes, it would require a 2/3 plurality of the enacting dominion and could be repealed by a simple majority.

The non-sovereign cellular governing structure is built on maximum efficiency. Budgets are spent to the last penny, and special projects require a sunsetted, budgeted consumption tax described above or a generous member of the landed aristocracy.

But stuff happens - earthquakes, floods, fires, hurricanes, tornados, drought, famine, etc.

The VIP Treasury cannot release its reserves without the approval of a 2/3 plurality of the federation itself. Releasing reserves sets a dangerous precedent. Today, it funds hurricane rescue operations, and tomorrow, a trip around the world for the level-7 council.

Furthermore, allowing a few people or a cellular council to decide where and when to allocate disaster relief funds or other arbitrary spending leads to corruption and tyranny.

Charitable contributions might ultimately pay the bill, but the time delays and lack of a consistent mechanism might limit first responders and increase fraud.

Having the sole authority to decide where your tax dollars are spent can be fun. With a discretionary tax, any resident of the dominion can divvy up their tax however they wish. For those portions an individual chooses not to allocate or neglects to allocate, default allocations come from the lowest level of federation establishing a default allocation.

These tax dollars can be directed to any entity with a Toolkit account: people, charities, relief agencies, organizations, businesses, public places such as parks, bike paths, beaches, governments, families, and any other unit of society that is an entity with an Elsie Toolkit account number.

There is a caveat. The toolkit looks for cycles, and cycles void the tax usage. Here is an example of a cycle. Suppose you direct all your 2% to person A, and Person A directs all their 2% to you. That is a cycle; the entire 2% allocation is voided and reverts to default allocations.

Here is a less obvious example. Suppose you direct all of your 2% to person A, and person A directs their tax in such a way that after going through several people,

.01% of their tax comes back to you from Person Z. Then .01% from Person Z is voided and only .01% from you to Person A is voided.

Funds cannot be given to family members or to organizations where family members hold more than a .01% financial interest.

In addition to allocating funds, you can allocate your allocations. You can have your tax distributed identically with the default distributions at any level of federation, by an expert in charitable contributions, or identically with any family member or friend.

Discretionary allocations are secret. A contract that dictates how or where to allocate discretionary funds is not enforceable. It is illegal to use force or threats of force to control how one allocates a discretionary tax. The discretionary tax cannot be used to price goods.

There are many good uses for the discretionary tax. Here are a few examples:

National, state, and local museums and galleries	Local department of parks, recreation, and beaches
Charitable organizations	Relief agencies and special disaster funds
Your favorite political or social organization	A local hero, reward for a good deed
Your favorite author or artist, or the author or artist that most recently inspired you	Funding for a new monument, a new school, a new bridge, a new highway
The tireless leader of your organization who foregoes a job for the cause	Your local beat cop. A law officer or prosecutor who succeeds in sending the bad guy to jail
A new business that moves to your community or a struggling business important to you	Reward a social worker or spiritual leader who helped you through a difficult time.
Reward to someone who was unjustly imprisoned or your hero imprisoned for civil disobedience	Support of public television and radio, or your favorite show on TV
Reward to a crime victim	Helping maintain a local jogging path that you use daily

There is no limit to the number of people and places in one's allocations. Allocations can be changed or modified on any computer. Fund requests are legal and require setting up an account for that purpose.

In answer to a request for funds, the receipt of discretionary funds is a consideration and constitutes an enforceable contract with the public. Money must be used for the specified purpose. Anything else is fraud and breach of contract.

The Spatial Assessment

The spatial assessment is not a consumption tax. Instead, it is a constitutionally allowed covenant to demand additional fees on the land—failure to pay the tax results in a lien against property structures.

The size of the spatial assessment is a function of the percentage of land area owned as a ratio to total land area in the dominion. It is unlikely to be used for districts at levels higher than 2. These assessments are primarily associated with homeowner's associations, from the condominium to the small village.

A spatial assessment has a lifespan of one year and is usually paid monthly. It must be ratified annually. It must be approved by a 2/3 plurality of the primary residents of the dominion.

Most apartment leases will have clauses that rent will automatically increase by the amount of any spatial assessment for the duration of that assessment. Tenants will be voting for higher rent. However, they, not the landlord, will control how the spatial assessment revenue is spent. Landlord net revenue will not be affected, but landlord margins will be lower.

Most tenants of apartments, rather than condominiums, will do so because they do not want any responsibility for building management. Apartment building tenants are unlikely to garner the 2/3 needed for a spatial assessment without serious dereliction of management responsibilities by the landlord.

For districts that are more extensive than a single building, the dominion treble and switching allegiance will change the total land area of the dominion, affecting both the taxing and service areas. Access rights protect some services. However, should a property owner leave the district through a change of allegiance, the cost of protected services could rise by more than the assessment money saved.

Citizenship and Baby Taxes

In the event of a significant gap between the first federation and Worldwide Federation, a tax can be assessed by a 2/3 plurality of the Federation on immigrants. This tax buys the immigrant an Earth Dividend.

There might be cause to assess by a 2/3 plurality a tax on newborn babies.