CHAPTER 2

THE BASIC OBJECTIVES AND PRINCIPLES OF TAX POLICY FOR KAZAKSTAN

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INTRODUCTION

Much of Eastern Europe and the FSU began the process of tax reform without having a clear idea of the basic objectives of reform nor a coherent strategy for reaching their objectives. That strategy might be likened to starting on a trip without having a map or even a destination. As a result, these countries have groped about, enacting first one tax law and then another. These countries then had little regard for either consistency with the proper objectives of tax reform or the stability of their tax systems in the enactment of such laws. The result has been inequity, complexity, and distortions of economic decisions.[1] Perhaps worse, the constantly changing signals emanating from the tax systems of these countries have discouraged investors, already wary due to the uncertain political environment and economic difficulties of the former Eastern bloc.

Rather than following this ill-advised approach, the Government of Kazakstan, with the help of Western advisors, prepared a Concepts Paper that set forth the objectives, principles, and basic outline of its tax reform before starting to draft the new tax code. This is in keeping with the Kazakstan government's commitment to the stability of its tax code. Chapter 2 summarizes the objectives and principles that Western advisors argued in early 1994 should

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[1] On the complexity that has resulted, see McLure (1995).

underlie tax reform in Kazakstan;[2] while most were reflected in the Concepts Paper, some were not. This chapter provides a useful set of standards against which to measure the success of Kazakstan's tax reform.

It should be noted at the outset that "objectives" and "principles" are not sufficient to answer some questions. In particular, it is impossible to know, simply as a matter of principle, the tax rates that will be needed to finance government in a noninflationary manner. To achieve this, it is necessary to have a capacity to estimate expenditure needs and revenue collections (see Chapter 4).

REVENUE ADEQUACY

Revenues must be adequate to finance the proper functions of government without resorting to inflationary finance, such as the printing of money, to finance budget deficits. The experience of countries in transition from socialism that have failed to heed this simple tenet drives the lesson home.

Exactly how much tax revenue will be needed for noninflationary government finance is by no means obvious. It would be a serious mistake to assume that budgetary expenditures are fixed and immutable, even in real (inflation-adjusted) terms.

Transition and the Need for Revenue

The very process of transition to a market economy will have a profound effect on both the proper level of government expenditures and the ease of raising revenues. As state enterprises are commercialized, enterprise managers will express a strong and appropriate desire to cease providing many services that are commonly provided by governments in countries with market economies; education and health care are two of the most important

[2] This chapter is based on material the International Tax and Investment Center prepared for the Minister of Finance in early 1994. Reflecting its genesis, this discussion is, for the most part, not technical. This statement of the basic objectives of tax reform is reproduced here with relatively minor additions and editorial revisions (plus the omission of a brief discussion of intergovernmental tax issues, covered at length in Chapters 7-10) to preserve the historical record. Thus, use of the future tense is preserved, even though it may seem inappropriate in a general statement of principles. In a few cases, footnotes have been added to bring the discussion up to date. See also the protocol the Government of Kazakstan and the Tax Foundation signed in March 1993 (McLure 1993), specifying areas of basic agreement on the need for stability and certainty in tax policy.

of many such examples. These desires will become even stronger (and more appropriate) as enterprises are privatized. New private enterprises generally should not be saddled with the responsibility of providing such services, for such expenditure mandates are, in essence, a form of taxation that can have very adverse consequences. One exception to this general principle is that investors operating in remote areas may be required to construct the roads needed to service their facilities.

The move to a market economy will render many enterprises unprofitable. Provided enterprises face prices that approximate world prices (or their equivalent, in the case of nontraded goods and services), unprofitable enterprises should be forced to go out of business.[3] Bankruptcy will cause unemployment and hardship for affected workers who should be cushioned by a social safety net that includes a system of unemployment compensation. Such a system will require budgetary resources, as will increases in pensions, scholarships, and salaries of certain government employees needed to compensate for increases in the prices of basic goods.

An explicit social safety net requires fewer budgetary resources than do two alternatives that have found populist support in many countries in transition from socialism. Many countries have allowed unprofitable enterprises to continue to operate, to avoid unemployment. This generally requires more budgetary resources to finance subsidies to the enterprises than would an explicit system of unemployment compensation. Moreover, once prices reflect true costs and values, subsidization of unprofitable state enterprises prolongs the pain and economic cost of transition, and makes it more likely that transition will be reversed. In some cases, state enterprises actually produce negative value added, if all inputs and outputs are valued at world market prices or their equivalents.

The second, distinctly inferior, alternative to a social safety net is state control of certain prices at artificially low levels. Goods most commonly subject to price controls are energy and basic foods. Price controls are commonly accompanied by subsidies to enterprises producing the price-controlled goods. There are several problems with this approach. First, goods subject to price controls are generally consumed by the entire population, not just by those threatened by poverty. As a result, subsidies to goods generally

[3] A problem not reflected in this statement is the continued accumulation of arrears (unpaid credit to other state-owned enterprises). In Western economies, continuation of sales to customers who do not pay their debts would result in bankruptcy, or at least replacement of management.

require more budgetary resources than does a targeted social safety net that provides transfer payments only to the disadvantaged. Second, price controls distort economic decisions and cause waste. Examples are well known; energy is wasted, because there is an inadequate incentive to conserve it, and it is common to hear stories of subsidized bread being fed to animals where the price of bread is controlled. Finally, it is difficult to force producers of goods that benefit from subsidies to operate efficiently, instead of relying on subsidies to cover losses resulting from inefficiency.

Transition and Revenue Potential

The transition to a market economy will, at least initially, make it more difficult to raise tax revenues. In a socialist system, payments for most transactions are conducted through a highly concentrated banking system. Transactions occur among enterprises, and between enterprises and the government. They also obtain the money needed to meet payrolls. It is relatively simple to use the banking system to divert a portion of transaction payments to the budget, especially because enterprise managers have relatively little interest in resisting the payment of taxes.

In a market economy, there is commonly (and ideally should be) much less concentration of economic activity among enterprises, banks, and so on. Banks may be involved in a far smaller fraction of business transactions. Moreover, owners of private enterprises and managers of commercialized state enterprises have strong incentives to resist paying taxes, by both legal and illegal means. Unfortunately, the tax administration inherited from the socialist system is not adequate for these new circumstances. This implies that it may be necessary for a country in transition to be satisfied with less tax revenue than a country with the same level of national income that has a long history of tax compliance and a better tax administration. This implies, in turn, that the country may be forced to devote a smaller percentage of GDP to public services than it might like, if it had a better tax administration.

It may be possible for a country in transition from socialism to use revenues from privatization to bridge the gap between tax revenues and expenditures when the tax system is being modernized and made fully effective. This is, however, a very risky strategy, and one not to be adopted lightly. The risk is high that revenues from privatization will be employed to temporize, by postponing the enterprise reforms, privatization and tax reforms that are necessary to make the economic system viable in the long run.

ECONOMIC NEUTRALITY

One of the primary benefits of a market economy is that markets produce a relatively good allocation of a nation's scarce resources: what to produce and how to produce it. This is true, however, only if prices truly reflect values, instead of being set artificially, as under central planning, and enterprise managers face a "hard budget constraint," the threat of bankruptcy, and dismissal if they consistently incur losses. The failure of socialism, with its artificial control of prices and its soft budget constraints, is one of the strongest endorsements of using markets to allocate resources.

Principles of Neutral Taxation

Markets can allocate resources to their best uses only if taxes and subsidies (which can be seen as negative taxes) do not unduly interfere with market choices; that is, if they are neutral. The design of neutral taxation is a highly technical and complicated topic. It seems, however, that guidelines for tax policy in this area should include the following principles.[4]

- In general, neutrality requires that indirect taxes on consumption apply equally to all forms of consumption and that direct taxes on income apply equally to all income, without regard to its source or use. (VAT is an indirect tax; the enterprise and individual income taxes are direct taxes.) This can be called the *principle of uniform taxation*.
- There are exceptions to this rule of equal taxation. It is appropriate, where feasible, to use taxes related to the benefits of public services to finance provision of such services. This can be called the *benefit principle*. (It is even better to use fees and charges to finance public services, but this is generally not feasible.) This is fair, and it encourages rational decision making in the provision of such services. The use of taxes on motor fuels to finance

[4] Some academic critics may object that "optimal taxation" generally does not call for uniform taxation. While this is true, uniformity seems to be an appropriate goal for Kazakstan. First, the information needed to implement optimal taxation generally is not available in Kazakstan. Second, Kazakstan lacks the capacity for tax administration and compliance required to implement a highly differentiated system of optimal taxation. Third, the literature of optimal taxation generally ignores the horizontal inequities and the perception of inequity that result from highly differentiated taxation. Finally, once the theory of optimal taxation is used to justify differentiation, it is difficult to prevent indefensible differentiation from entering the tax code.

highways is a common example of a tax that is related to the benefits of public services. Another example is the use of taxes related to activities that cause public costs or damage to compensate for such costs and damage.

- It is especially important to avoid distortions in the choice of production caused by taxes that are levied on the inputs of businesses; faced with prices that are distorted by taxation, businesses respond by employing inefficient techniques of production. This causes misuse of the country's scarce resources. An important principle guiding tax policy should be to levy no taxes on business purchases of capital equipment, intermediate goods, or other supplies, other than those required to compensate for public services or costs imposed by the use of the taxed product (for example, motor fuels). This can be called the *principle of tax-free business purchases*.
- Economic rents are defined as the earnings in excess of the amount needed to bring forth an investment: what economists call the "normal" return to capital. By comparison, the base of an income tax includes the normal return to equity capital. Whereas a conventional income tax reduces the return to incremental investment, a tax on "economic rent" does not. For this reason, taxes on economic rents are often preferred over income taxes on economic grounds, especially in the natural resource area. This can be called the *principle of taxing economic rents*. Some think it unfair to exempt the normal return to capital from taxation. Taxes on output of natural resources are even worse than income taxes in distorting choices. Such taxes reduce the attractiveness of marginal, but economically viable resources and cause them not to be exploited.

Achieving Neutral Tax Policy

The achievement of tax neutrality requires implementation of the principles mentioned above: the principle of uniform taxation, the benefit principle, the principle of tax-free business purchases, and the taxation of economic rents. The following describe the implications of these principles for the design of major taxes.

Value-added Tax. In the case of VAT, neutrality requires that (i) there should be only one tax rate; (ii) VAT should apply to all consumption, with as few exceptions as administratively feasible; and (iii) immediate credit (and refunds, where credits exceed tax on sales) should be allowed for all taxes paid on purchases by business, including capital investments.

Income Tax. The definition of the base for the income tax should be as comprehensive as possible. Deductions should be allowed for all reasonable expenses of earning income, but for little else.[5]

Natural Resources Tax. Consideration should be given to taxing economic rents, instead of income, as conventionally defined. Taxes on output of natural resources are to be avoided, except as needed to compensate for costs, for example, to repair damage to the environment.

ENCOURAGEMENT OF SAVING AND INVESTMENT

To revitalize its economy, Kazakstan will need large amounts of saving and investment. Part of the required saving will be from domestic sources, but much of it must come from abroad. Local residents must be persuaded to save and to invest their savings at home, rather than abroad. Foreign investment will be especially important in the natural resource area, where it will be accompanied by modern technology. In some cases, the tax treatment of expatriate employees will directly affect the attractiveness of investment in Kazakstan. For all these reasons it is important to enact a tax code that is conducive to saving and investment and that does not treat expatriate workers unduly harshly.

The treatment of losses under the income tax deserves special consideration, as overly restrictive treatment of losses can create a serious impediment to saving and investment. The issue is whether to allow losses incurred in one year to be carried forward to offset income earned in future years. It is especially important in capital-intensive industries that must make large investments long before starting to realize net income from operations.

Both fairness and economic analysis favor unlimited carryforward of losses.[6] An asymmetric system in which the government shares in profits, but not losses, is patently unfair. Moreover, such a system discourages investment, especially in capital-intensive and risky ventures. To be fully effective, loss

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[5] The important questions of tax holidays and inflation adjustment in the measurement of income are discussed briefly in Chapter 3.

[6] Common sense also suggests that carryforward of losses should be allowed; after all, it is the arbitrary division of time into years that causes losses to be realized in some periods and profits in others. There would be very little need for carryforwards of losses if accounting statements covered 100 years.

carryforwards should be protected from inflation; otherwise, they will lose value in times of rapid inflation.

LOW STATUTORY RATES

It is important that Kazakstan adopt tax rates that are as low as possible, given other objectives of tax policy, including revenue. Low tax rates minimize the adverse incentive effects of taxation, including incentives for evasion, and the inequities and distortions of economic activities produced by the failure to tax all activities equally.

Benefits of Low Rates

Incentive effects are potentially very important for work effort, where there is a significant risk of emigration of skilled workers—commonly called "brain drain" in the West: saving, where capital flight is a potential problem; investment, especially by foreign multinational corporations; and entrepreneurial activity. Rates must be kept low enough that these activities, which are crucial to the future economic development of Kazakstan, are not unduly impeded.

It is generally impossible to follow all the rules for neutral tax policy outlined above. This is true for technical and political reasons. Thus, some distortions of economic decisions are inevitable. Low tax rates minimize the distortions caused by both intentional and unintended departures from neutrality.

The same departures from uniformity that create distortions tend also to create inequities, as some people pay taxes and others do not. Low statutory rates also tend to minimize inequities. With low tax rates, departures from uniformity matter less for equity, as for neutrality.

International considerations alter these conclusions somewhat. It is appropriate to levy taxes on enterprises that approximate those in countries from which Kazakstan hopes to attract investment.

Implications for Policy

Care should be taken not to tax high incomes excessively; to do so runs the risk of causing serious disincentives, distortions, and inequities. Although hard and fast rules are not possible, it seems that marginal income tax rates in excess of 40 percent should be avoided.

In considering disincentives, it is important not to focus only on income taxes. In virtually all countries in transition from socialism, the taxes levied to finance social welfare are more important than income taxes, except at the very top of the income tax rate schedule (McLure 1995). VAT also discourages work, by reducing its benefits. Care must be taken that these taxes, in combination with income taxes, do not stifle work effort and entrepreneurship.

FAIRNESS

Fairness is an important characteristic of any tax system. In addition to the obvious attractions of fairness, a system that is not fair—and that is seen not to be fair—will not be respected. The lack of respect for the tax system will undermine respect for government, as well as the ability to collect taxes.

Horizontal Equity

It is common to distinguish several aspects of fairness or equity. Horizontal equity involves the relationship between the tax liabilities of taxpayers who are similarly situated. A tax system meets the test of horizontal equity if taxpayers in similar circumstances pay roughly the same amount of tax. A tax system that does not pass this minimal test is not likely to be perceived as fair.

If income taxation is the object of discussion, similarity of circumstances is commonly measured in terms of income; those with equal incomes should pay similar amounts of tax. This rule may be modified reasonably to take into account family circumstances, such as the number of children and certain hardships. If, however, the rule is modified too much, to justify allowances that cannot reasonably be defended (such as deductions for personal expenditures on automobiles), it becomes a mockery.

Horizontal equity can also be used to appraise indirect taxation. One taxpayer should not pay less VAT simply because of a preference for goods and services that happen to be excluded from the tax base. By comparison, it is fair that those who impose added costs on society pay higher benefit-related excises.

Vertical Equity

Vertical equity involves the relationship between the tax liabilities of taxpayers who are in different situations, usually as measured by income. Unlike horizontal equity, vertical equity does not lend itself to technical verification. A tax system meets the test of vertical equity if differences in the tax liabilities of taxpayers with different amounts of income accord with social norms. Given the common existence of horizontal inequities, it is generally necessary to appraise vertical inequity by looking at broad averages, for example, by comparing the fractions of income taken by taxes from households at various income levels.

Vertical equity is commonly thought to require that those below some socially defined "poverty level" pay no tax. Above the "tax threshold," it is commonly thought that there should be at least some progressivity in the pattern of taxation, but there is no scientifically correct degree of progressivity.[7] The presence of a tax threshold creates some progressivity; graduated rates (marginal rates that rise as income rises) are commonly used to give more progressivity.

The concept of vertical equity can be applied to a single tax, to selected taxes, or to an entire tax system. It is perhaps most meaningfully applied to an entire system for several reasons. First, there may be very good reasons that a single tax is not progressive, and may even be regressive; benefit-related taxes on fuel used in motor transport is one such example. Second, the entire system may pass the test of vertical equity, even if some components do not. Finally, it is generally impossible to judge the vertical equity of a tax system without some knowledge of the distribution of benefits of public spending. For example, using a mildly progressive tax system to finance expenditures that benefit primarily the poor may be more redistributive, on balance, than a more progressive system that finances benefits primarily for the affluent.

Excessive use of progressive taxation can be problematic. The adoption of high individual income tax rates on redistributive grounds can, as noted above, magnify disincentives, distortions, incentives for evasion, and inequities. Moreover, individual tax rates that are substantially higher than the tax rates applied to the income of enterprises creates incentives for manipulation of income flows to take advantage of the lower enterprise rates. It is better if the gap between individual and enterprise rates can be kept to a minimum.

Vertical equity (as well as horizontal equity) is often undermined by the proliferation of tax benefits that are of special value to the

[7] A tax or tax system is progressive if the fraction of income taken by taxes—the average tax rate—rises as income rises, and it is proportionate if this fraction does not vary with income. It is regressive if the fraction falls as income rises.

affluent. It is a mistake to attempt to overcome this problem by raising tax rates at the top of the income scale. If this is done, the result is the perpetuation of horizontal inequity between high-income taxpayers who can and cannot utilize the tax benefits, along with the disadvantages of high tax rates described above. A much more appropriate response is to eliminate the tax benefits that create the inequities.

Indirect taxes are commonly regressive, even if exemptions are allowed for necessities, such as basic foodstuffs. Even so, consideration of neutrality and simplicity suggests that the blunt instrument of exemptions should not be used to temper regressivity.

Vertical Equity in Kazakstan

As in many other areas of tax policy, the unique circumstance of Kazakstan is likely to color local views on the desirability of progressive taxation. There are good reasons that vertical equity may be either more or less important as a goal of public policy in Kazakstan than in advanced countries of the West. On the one hand, policies undertaken under socialism appear, at least on the surface, to give all economically active citizens a relatively equal start in the post-socialist economic game of life; there is relatively little private property and educational opportunities have been widely available. This suggests that there may be less need for progressive taxation to achieve a given degree of equality in after-tax income than in the West. The need to provide economic incentives for work, saving, investment, and entrepreneurship suggests that the costs of progressive taxation may also be greater in Kazakstan.

On the other hand, the social consciousness created by socialism may be less tolerant of inequality in the distribution of income. Moreover, economic opportunities are not equal; they are much greater for members of the previous nomenclature and for managers and employees of potentially profitable enterprises. Leaving that aside, because of the environment of economic disequilibrium created by socialism and the enormous risks created by the transition from socialism, the returns to investment of time and money in certain activities are so great that large inequalities in income may appear quite quickly. These factors suggest that the public may demand more progressive taxation than in advanced Western countries.

In Western market economies, the top individual income tax rates yield a relatively small fraction of total revenue; most revenue comes from the lower rates applied to the incomes of taxpayers of more modest means. In essence, progressive taxation is a means to implement social views of vertical equity, not a means of raising substantial revenues. Without the capacity to make detailed revenue estimates, it is difficult to know whether this would also be true in Kazakstan, but one suspects that it is, especially once one considers that high tax rates may cause income to "dry up" because of disincentive effects and evasion. This suggests that it would not be productive to levy highly progressive taxes in an effort to reduce inequalities in the distribution of income.

Implications for Policy

Both vertical and horizontal equity, and the perception of equity, require an income tax system that treats all income equally and a VAT that applies as widely as possible to consumption goods, but not to business purchases. These implications, the need for a comprehensive definition of the tax base for both income taxes and VAT, are essentially the same as the implications of the objective of neutrality.

The choice of income tax rates is, as noted above, essentially a question of social policy that is unique to each country, and not a technical issue. It must be remembered, however, that highly progressive taxation can be seen as punitive, especially by those whose labor, saving, investment, and entrepreneurship Kazakstan needs to recover from its legacy of socialism to put it on the road to market-oriented economic development. For this reason, it seems best that the country adopt a rate schedule for its individual income tax that is only mildly progressive, with a top rate of about 30 to 40 percent. This is especially true if higher rates would not yield substantial revenues.

SIMPLICITY

Simplicity should be the most important single objective of tax policy in Kazakstan, aside from revenue. This is especially true for local taxpayers, who have no experience with tax compliance and who understandably may not trust the government or understand why it needs large amounts of information. Simplicity is also important because Kazakstan does not have enough well-trained and experienced tax administrators needed to implement a complicated system. This is relevant even in the case of foreign enterprises; while foreign taxpayers may have the expertise needed to contend with a complicated system, Kazakstan does not have the capacity needed to administer such a system.

Simplicity for Enterprises

The treatment of several issues in the measurement of income of enterprises and other capital income has the potential to greatly complicate or simplify the income tax system. Depending on how these issues are handled, the system will be fair and neutral or unfair and distortionary. The search for an ideal system that is simple, fair, and neutral will be difficult. A cash-flow tax (CFT), a system that is arguably simpler than a conventional income tax, would likely be precluded by the probability that the US would not allow credit for tax paid to Kazakstan (McLure and Zodrow 1997).

Simplicity for Individuals

Relatively few individuals should be required (or even allowed) to submit income tax declarations. Those required to submit declarations should be essentially those who are believed to have substantial income from self-employment and those who have high incomes, from whatever source. To the extent possible, Kazakstan should rely on withholding for the collection of income taxes from individuals.

If the system is to rely heavily on withholding, and not on tax declarations, it must be designed with this objective in mind. It will not be possible to subject all taxpayers to a truly "global" income tax, in which all the income a person receives, from whatever source, is added together and subjected to a system of graduated rates. Rather, it will be necessary to accept certain "schedular" elements in the income tax; that is, to tax various types of income under separate schedules, without attempting to impose a global income tax, except on the relatively few individual taxpayers mentioned above.

A withholding system has the dual advantage of avoiding complexity for the vast majority of the population and concentrating tax collection, and thus administrative effort, on a relatively small number of enterprises and agencies that are responsible for withholding. It is thus more appropriate for Kazakstan than a global system which, while conceptually preferable, is not administratively feasible at this time. (A global system, if feasible, accords more with accepted tenets of tax equity and is commonly seen as being more "modern" than a system with "schedular" elements. Kazakstan should resist the temptation to introduce a more modern system that is not appropriate for its unique circumstances.) If declarations are required only of individuals with incomes in excess of a given amount (the "declaration threshold"), in addition to certain self-employed individuals, the requirement for submitting declarations could be broadened gradually to include more of the economically active adult population simply by lowering the declaration threshold, or by holding it constant in monetary terms, in an inflationary period.

If taxpayers (or their representatives in the parliament) are to make informed decisions on the budget, they must be aware of the taxes they pay. For this reason, it is important that VAT be stated on invoices, where feasible; if this is not done, the VAT rate, and a list of the goods and services to which it applies, should be prominently posted in retail establishments.

Even though most individual income taxes are to be collected through withholding, taxpayers should see these taxes as something that reduces their earnings, rather than a cost borne by their employers (such as a payroll tax) that is of no concern to them. The tax should be a legal liability of the individual, not just a liability of the withholding agent. Of course, the withholding agent must also have joint liability to remit the tax. Ideally, individuals would receive statements annually (if not more often) indicating the amount of tax that has been withheld from their earnings. There is, of course, some risk that this policy could lead to excessive taxpayer discontent and to yearning for the "good old days," when there were no income taxes. An educational campaign is needed to make people aware that under the command economy, income taxes were very high, but mostly disguised, taking the form of wage suppression.

If the individual income tax is not to be just a payroll tax, it must be "personalized;" that is, it must take into account the personal circumstances of the taxpayer. Yet, for a system of this type to operate efficiently, it is necessary to avoid the complications found in the tax systems of many countries, including countries in transition from socialism, as well as advanced countries of the West and less-developed countries. In particular, it is appropriate to provide allowances in the form of deductions or credits for the taxpayer and perhaps for children and other dependents, to create a tax-free amount (tax threshold), but to provide allowances for little else. Basing tax liability and withholding on the earnings of individuals, instead of the combined earnings of married couples, greatly facilitates withholding; that is recommended, provided it is not inconsistent with cultural and social norms in Kazakstan. (Actually, tax administration would be vastly simplified if the function of providing the equivalent of a tax-free amount could be transferred to a system of family allowances; that would allow a flat rate withholding tax on wages, with no need for personal allowances.)

Proliferation of Taxes

It is almost certain that Kazakstan will derive most of its tax revenues from relatively few taxes: VAT, income taxes on enterprises and individuals, excises, and taxes on natural resources. A few other forms of taxes may be needed for regulatory reasons or to raise additional revenues. It is equally certain that there is little reason to levy as many taxes as are now found in Kazakstan. Some of these taxes raise almost no revenue and serve no useful purpose. They can best be described as "nuisance taxes" and should be repealed.