Artificial Intelligence/Automation: Does a Tax on Robots that Replace Workers Make Sense?

Compiled by John Joseph Parker
Contributing Editor

A 2017 report from PwC suggested that 38 percent of jobs in the United States "could potentially be at high risk of automation by the early 2030s." In the bull's eye—transportation, manufacturing and retail jobs to name just a few. Artificial intelligence and robotics have been improving at exponential rates and the idea of a robot tax to slow down automation-driven job losses and fund worker programs continues to be a subject of conversation. What will happen when companies no longer need large numbers of human workers? Can a robot tax stop or slow down this coming crisis? What would a tax on robots mean for New Jersey businesses? *COMMERCE* asked accounting firm experts to weigh in on this important issue.

Goldstein Lieberman & Company LLC
By Phillip E. Goldstein,
CPA, Co-Founder, Managing Partner

Has anyone ever heard of a tax that was levied and now no longer exists? Taxes are like tolls. When the George Washington Bridge was built, tolls were charged to cover the expenses of the construction. After expenses were covered, the tolls not only stayed in place, they increased. The solution for New Jersey and its businesses is not an addition of new taxes—that's one of the primary reasons so many companies are fleeing. The solution is for government—federal, state and local—to look at creative ways to streamline many of their arcane operations. Sure, robots could mean fewer workers and that could mean fewer tax dollars, but fewer tax dollars could also mean that government, like so many New Jersey businesses, would need to run more efficiently and effectively—like a lean, robotic machine.

Klatzkin
By John Blake,
CPA, MBA, Partner

With the increased cost associated with having a workforce, including an increasing minimum wage and the diminishing pool of qualified individuals to fill jobs, companies are starting to find robots a more attractive option. However, if robots replace humans, then there is potential for unemployment to increase, causing fewer income taxes to be collected by the state, severely impacting state revenue. Imposing a tax on robots would help bolster the state's lost revenue and perhaps slow down automation. Companies may be less inclined to move towards automation if a tax is associated with having the robot workforce considering the high upfront cost. This would likely impact companies differently, so they would have to go through a cost-benefit analysis to see if the robots were more cash-friendly—even with an associated tax.

MSPC
By Len Sprishen,
J.D., LL.M., Tax Counsel

I still think it's a bit soon to be anxious about robots, let alone a robot tax. However, I believe the data on innovation shows that even if some workers in New Jersey or anywhere else end up displaced, many more jobs would be created through disruptive technology, with the attendant improvements in efficiency and output. So, while I understand that it's important to protect our state's workforce, the reality is that robots are unlikely to profitably perform most human jobs they could potentially take over (at least, not for a while). Moreover, because governments receive so much revenue from income taxes, and because companies will be tempted to automate to save on those taxes, there will be a great deal of caution and debate surrounding implementation of a robot tax. While probably a reality down the road, although it could take on a different incarnation (like a tax on companies that are significantly increasing their automation), a robot tax may end up driving companies to build overseas, and will create more regulatory and agency bloat. Consequently, such a tax, which would temporarily preserve a human workforce, will likely have effects detrimental to the competitiveness of New Jersey businesses.

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Robots will continue to replace workers as technology improves.