
Tax-and-spend initiatives-spending resources that don't yet exist only to raise taxes to cover the loss-are not new.

There are many sound, historical examples from the 18th century of the downside of these strategies. Today, what are often overlooked are the tax-and-spend strategies that catch many of our maintenance organizations off guard and undermine their best efforts. Beware the "maintenance tax" and the unintended consequences.

**A little history**
In 1765, the British Parliament and King George III established a "stamp tax" on official document papers used in the British colonies in America. The British citizens in America saw this as taxation without representation, which led to a major revolt and intimidation of the tax collectors in the 13 colonies. The Stamp Tax Act was repealed in 1766. Still, needing money from the colonial residents, the British government then levied a "tea tax" in 1773 to penalize low-priced teas not previously approved by Parliament. That too failed. The Boston Tea Party made history in 1773 and ultimately led to the War of Independence between the American colonies (The United States) and Great Britain from 1775 through 1783. (*Surely unintended consequences of the tax levies…*
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Taxation flourished at home in 18th-century England, directed at raising much-needed revenues to support governmental expansion programs. Here, too, these often-frivolous taxes turned into rebellion. Take for example the 1797 tax on watches and clocks. Yes, a tax on watches and clocks. In March 1798, the House of Commons heard proposals to repeal the watch and clock tax after just nine months on the books "on account of its lamentable effects on a very numerous class of mechanics involved in the manufacture of those articles (that) could not have been foreseen when the tax was proposed." Guess what had happened. Merchants had started publicly displaying their clocks. People stopped buying personal clocks and watches. Manufacturers and suppliers of timepieces were rapidly going out of business in 1797 and early 1798. Unemployment grew. Could the government taxation authors not have foreseen this? (*An other example of unintended consequences…)*

Then again, the British monarchy and government had a history of unusual taxes. In England during 1696, there had been a financial crisis created by growing inflation caused by the many conflicts in Ireland and on the Continent. One of the forms of taxation created to help pay the debt was known as the "Window Tax." This tax would be paid by owners of a house having more than six windows. One way for a person to avoid paying the tax was to brick up the windows over the stated six. The Window Tax was repealed in 1851 after 155 years. Even today, some older houses still have bricked up windows. (*A lasting unintended consequence of taxation…* )

**Taxing maintenance**

Today, we sometimes inadvertently "tax" maintenance resources in our plants and facilities. We unwittingly penalize the very resources responsible for maintaining the revenue-generating assets of the business. And, as with the historically significant taxation levied by the British in the 1700s, the unintended consequences overshadow the original intent: maintenance labor and resources used for non-maintenance purposes.

Any time that maintenance personnel and labor hours are being diverted from "maintenance" work to perform "non-maintenance" work, we are, in effect, taxing maintenance. So, why do we do it?

The practice is often a continuation of old habits that just don't make sense in these competitive times. Who would do such a thing? Frequently, business decision makers, executives, managers, supervision and, yes, even hourly maintainers—*all with the best of intentions*—become distracted with special projects and odd jobs (we used to call it "government work") assigned to the maintenance workforce because they are already figured into the budget. These "special interest groups" often have a subtle agenda to get their projects completed at the lowest possible cost. The assumption is that this internal labor force—*made up of maintenance personnel*—can be redirected to non-maintenance work at no additional cost to the business. Great deal? Absolutely not! This is an internal "tax on maintenance" that leads to a reduction in actual maintenance work. And there's more.

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Many businesses try to balance maintenance spending, trim maintenance costs and assure that the maintenance budget is not being overspent. Time and again, maintenance budgets get cut back in the midst of a budget year. Here is where we see the unintended consequences of the "maintenance tax." Real maintenance work is delayed and labor hours diverted to non-maintenance work, but the cost STILL appears as a "maintenance expense" to the business' bottom line. On top of that, the required maintenance work—*planned and preventive*

*maintenance work, including the work order backlog*
—remains untouched. And the unintended consequences continue…

Deferred planned and preventive maintenance often leads to unreliable equipment. Next, the diverted (taxed) maintenance resources are stretched even thinner as they are required to respond to breakdowns. The "maintenance tax" continues to benefit the special-interest projects at the expense of the very assets that generate revenue from reliable on-time production throughput and reliable facilities.

Tax and spend? Spending money that doesn't exist is what happens after the "maintenance tax" is levied. The business goes into debt, funding emergency maintenance activities by "borrowing" from other budget line-items and curtailing the planned and often-needed spending of the donor organization budgets. The tax-and-spend strategy then results in much higher maintenance costs per unit produced, much higher maintenance cost per asset replacement value and the maintenance organization takes the hit—*again*—to dramatically reduce its costs.

**Avoiding unfair taxation**

Campaign to reduce the "maintenance tax" in your organization by tracking and reporting non-maintenance work, special projects and other unbudgeted activities that take direct aim at your maintenance resources. Encourage decision-makers to contract with outside groups for this type of work. Make your own competitive bid at the current internal billing rates IF your maintenance personnel have the time available. Help everyone in your business understand the true cost of REAL maintenance, an investment in capacity assurance and the unintended consequences of overtaxing maintenance resources.

Today's business leaders must not underestimate the true role of maintenance in their business. Maintenance is NOT a mere service group or simply a supplier to production—*it is a true business partner*
. Furthermore, a "tax" levied against maintenance is a burden on everyone in the organization. The unintended consequences of a "maintenance tax" include a more reactive, less predictable, less reliable, high-cost function of the business.

**Dealing with another type of maintenance tax**

Federal, state and local taxes on maintenance exist too. Many states and localities in the U.S. have a "tool tax" on mechanics and skilled-trades' tools hidden in their personal-property tax codes. Skilled maintenance workers and other tradespeople are required to pay annual property taxes on the very tools they use to earn wages (which are also taxed)—*and we wonder why there are shortages of skilled tradespeople*. In the state of Virginia, residents and property owners can take a tax credit for solar-power equipment, facilities and devices, and apply the solar tax credit to their personal taxes owed for "machinery & tools." So, I guess investing in "solar energy" is more important than tools for maintaining plants, facilities and equipment?

Our neighbors to the north have a better idea. Ontario province passed a permanent employers' tax credit for 30% of salaries paid to apprentices in on-the-job training. And, in 2006, Saskatchewan province passed a "tool tax credit" to help ease the skills-shortage burden and attract more trades-workers to the province. New trade employees can write off a portion of their tools as a tax credit on their personal income taxes. Then, each year, any tradesperson can take a tax credit for the amount spent on tool maintenance and replacement. Tax credits are much better than a deductible expense. Tax credits reduce the personal income taxes owed. These are a few of the ways that Canada is addressing its skilled-trades shortages and encouraging people to enter skilled-trade careers.

**Lessons from the past**

In 2005, the historian Gary B. Nash wrote this about the British Stamp Tax revolt: "*Both loyal supporters of English authority and well-established colonial protest leaders underestimated the self-activating capacity of ordinary colonists. By the end of 1765 … people in the streets had astounded, dismayed, and frightened their social superiors.*" This public outcry from ordinary citizens led to the repeal of the British Stamp Act and a significant cultural change in America.

These unintended consequences are part of what made these United States of America and our workforce the most productive in the world. As I've said before in this column, let's not forget our roots. **MT**