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EDITORIAL: The misery of April 15

Social engineering makes Tax Day an exercise in oppression

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April 15 ought to be one of the calendar's happiest days, particularly after a long and brutal winter. Instead it makes many Americans long for a day in January.

Families are forced into the annual ritual of rounding up receipts and records so they can (a) tackle the 74,000-page tax code on their own, (b) deduct (c) from (b) or (b) from (a), which ever is greater, and find a reliable accountant to do it for them. It wasn't always so.

A hundred years ago, the income tax was a simple, four-page document, written in straightforward English. The income tax was levied at the rate of 3 percent of incomes exceeding \$800, which exempted almost all wage earners.

A century of prosperity, bureaucratic tinkering and crony provisions later, special-interest breaks and class warfare have created the mess we have today. Chris Edwards of the Cato Institute observes that the tax code doesn't even define something as basic as income.

There are 1,200 separate IRS forms and schedules to fill out, each with its own instruction sheet. There's Form 211 to apply for a "reward for original information." Form 706-CE certifies payment of a foreign death tax. There's Form 13424-B "Low Income Taxpayer Clinic (LITC) Interim and Year-End Report Controversy Issues."

Entire forests are consumed annually to support this madness because tax policy is the fastest way to impose "social change." The tax man has created a credit for electric vehicles and a tax on "gas guzzlers."

Each intervention has unintended consequences. Innocent breaks such as the mortgage deduction, which is meant to encourage homeownership, becomes a subsidy for high-income homeowners in expensive metropolitan areas.

The expanding crazy quilt of exemptions makes it ever more difficult and expensive to figure out how to stay on the right side of the law. A study by Mercatus Center scholars Jason Fichtner and Jacob Feldman finds that Americans devote 6 billion hours to complying with the tax code, which is the equivalent of an annual output by a workforce of 3.4 million people. That's enough to staff Wal-Mart, Target, IBM and McDonald's, four of the largest American companies.

The tax code brings in \$2.5 trillion for Uncle Sam, but the system's unseen costs are as much as \$987 billion. A trillion here and a trillion there, and soon we're talking about real money, even in Washington.

The Earned Income Tax Credit was started with the laudable goal of lending poor families a helping hand without reducing the incentive to work. Now it's one of the most abused programs, with the Office of Budget and Management estimating that almost 23 cents of every dollar are paid out improperly in this rapidly expanding program.

The corporate tax code sends the wrong message to American businesses. The United States has the highest corporate-tax rate in the developed world, a system of global taxation and we allow deduction of interest on debt. This encourages companies to move elsewhere, and those that stay can load up on debt and engage in risky behavior. Firms with more assets and income, such as Caterpillar, leave the country.

The availability of deductions and credits increases the incentive to lobby Congress for more. Mercatus estimates that the cost of these tax provisions could be as high as \$609 billion.

Other nations have figured out where we went wrong. Estonia successfully embraced a flat tax. Canada cut its corporate income taxes and fared better in the recent economic downturn than most other nations. Comprehensive reform would produce an equitable, transparent, simple and predictable system that treats everyone the same. That would make April 15 a fine spring day in any year.