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The tax code must be simplified

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When Hillary Clinton arrives in Philadelphia next week for the Democratic National Convention, she will make a lot of promises - such as tuition-free college at all in-state universities. To pay for these proposals, she's going to once again call on the wealthy to "pay their fair share."

That's a position that Donald Trump agrees with, by the way - he has called for raising taxes on the wealthy.

Here's where they're both wrong. The problem isn't the tax rate, it's the complexity. We don't need to raise taxes, we need to simplify them. Many people have the perception that the wealthy aren't paying as much as the rest of us. And there's a kernel of truth there; the wealthy can afford good tax accountants and lawyers to help them find every available deduction and tax credit. And there are so, so many of those.

"Federal tax rules span about 75,000 pages today, which is three times more than when President Jimmy Carter called the code 'a disgrace to the human race,'" writes Chris Edwards of the Cato Institute. "The problem is that Congress micromanages us with ever more tax credits, deductions and exemptions for education, energy, health care, saving, working and other activities."

Here's just one example. Have you noticed that golf carts all seem to have headlights and taillights these days? There's a reason for that, and it's buried in the tax code.

During the feverish panic following economic calamity in 2008, Congress passed legislation to encourage Americans to purchase electric cars.

"Economic stimulus legislation passed in late 2008 and early 2009 created two new tax credits for electric vehicles, including one for four-wheel, low-speed, plug-in electric drive vehicles," CBS News reported in 2009. "What does that sound like? A golf cart. What does it look like? A golf cart. But don't call them golf carts. The amazing thing about this credit is that it can cover 100 percent of the purchase price of the vehicle, up to \$15,000. There are no income limits on taxpayers claiming it (as there are for other lucrative breaks such as the first-time home buyer's tax credit or the child tax credit)."

So golf cart companies began adding headlights and taillights to their carts, relabeling them, and selling them to the kind of people who need a new golf car.

Of course the wealthy took advantage of that tax credit - it would be dumb not to. And although Congress eliminated that tax credit in 2013, there are plenty of other tax breaks of a similar nature still in the tax code.

Fortunately, there's an easy fix here.

“The best solution would be to rip out the individual income tax and replace it with a flat tax that has no deductions or credits,” writes Cato’s Edwards. “That would vastly simplify financial planning, reduce tax avoidance and boost the economy. Both taxpayers and the government would win as administrative costs plunged.”

It’s up to Congress to fix the tax system. But the vocal support of the presidential candidates would help.