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Opinion: Imperfect tax cuts are better than no tax reduction at all

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When the wrapping paper comes off on Christmas morning, sometimes the pile of glittering gifts fails to live up to expectations. We teach our children to be gracious, appreciating their still-impressive haul rather than stewing over well-intended but imperfect presents.

That's as good a metaphor as any for the Tax Cuts and Jobs Act, the first major overhaul of the federal tax code since 1986. This isn't the tax bill we wanted, but it's a step in the right direction.

First, the druthers: There are still seven tax brackets and a thicket of deductions, exemptions and loopholes. President Trump preached simplicity, calling for three tax brackets and a winnowing of small print so sweeping that the average taxpayer could file his or her return on a postcard.

Complexity intimidates laymen and gives many an incentive to hire accountants or tax preparers to ensure they're getting the best deal they can lawfully claim. We'd prefer a simple system where taxpayers understand exactly how much they owe without a need for middlemen.

The tax code is still progressive, demanding a higher proportion of earnings as income rises. A flat tax, where everyone pays the same marginal rate and the difference is made up in consumption taxes, is a fairer system.

Despite baleful grousing about the act being a bonanza for rich people, the libertarian Cato Institute says the middle class will see the greatest share of tax relief and the disparity in rates will only grow.

"Higher earners will pay an even larger share of the overall income tax burden than they do now," Cato's Chris Edwards wrote Tuesday. "Our highly 'progressive' income tax will be even more progressive."

Finally, because the tax cuts are not accompanied by proportional spending caps, the bill is expected to increase the ballooning deficit by $1½ trillion over the next decade. That kicks the can down the road where sober and difficult decisions about public investment will have to be made.

Despite those shortcomings, the tax bill is still a net positive for individual taxpayers and the United States as a whole. Most people will see their federal tax burden drop.

The Tax Foundation, an independent think tank, projects that the legislation will raise average wages by 1½ percent, drive up the GDP by 1.7 percent and spur the creation of 339,000 jobs.

If that's not reason enough to see the glass as half full, estimates show that the typical North Carolina family will save $600 per year. Some Tar Heel taxpayers will save more.

“We see growth coming from this,” Tax Foundation senior policy analyst Jared Walczak told the Carolina Journal. The resulting job creation “will be a benefit for all states including North Carolina.”

Critics of the Trump administration and the Republican-led Congress are sounding the doomsday siren, but their tax burden will drop, too. Unless they plan to voluntarily send their savings to Washington, we think they doth protest too much.

Though temporary levies were collected during the Civil War, the United States has only had a federal income tax for 104 years of its 241-year history. The Sixteenth Amendment, ratified in April 1913, authorized Congress to claim a portion of American workers’ earnings. Tax withholding was introduced during World War II.

To the extent that income taxes must be collected, everyone should pay his or her fair share. But we aren’t convinced higher taxes and more government spending is the way to secure prosperity. Individuals and families, not officials and bureaucrats, are best able to make decisions on how the money they earn is spent.

The corporate tax rate will plunge from 35 percent to 21 percent. It it leads to more businesses based in the U.S. and more robust job creation, overall corporate tax revenue could eventually rise. A lot of firms paying 21 percent is better than comparatively few paying 35 as businesses race to create shell companies and shift their tax burden offshore.

This tax bill isn’t perfect, but perfect need not be the enemy of good. And more of your money staying in your own pockets is unquestionably a good thing.