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MITCHELL: New rules for your taxes

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If you're still struggling over your tax return, wondering why you pay so much to finance a dysfunctional and wasteful government, maybe it's time you adopted the same rules used by government number crunchers.

The Congressional Budget Office (CBO) and Joint Committee on Taxation (JCT) helped push the health bill across the finish line by forecasting that (don't laugh) a giant new entitlement program for government-run health care would reduce long-run budget deficits.

A closer look at what they did suggests that as we approach April 15, taxpayers could save a bundle of money if they used the same creative accounting as CBO and JCT.

For example: When CBO and JCT concoct their official scores about increases or decreases in government spending or revenue, they use "base-line" math. So when CBO said Medicare spending would be cut by several hundred billion dollars over the next 10 years, the first thing you need to understand is that Medicare spending actually will be increasing during that time period from \$528 billion this year to about \$1 trillion in 2020. But CBO says Medicare spending will be "cut" because it is not increasing even faster.

Imagine if you got to do the same thing with your tax return. Not many of us received raises last year because of an economy weakened by bad government policy. But let's say you were one of the lucky ones (a government employee, perhaps?) and you got a \$5,000 raise. Unfortunately, Uncle Sam is going to want a big chunk of that additional money.

Here's where CBO accounting would be a big help. Why don't you assume that you were going to get a raise of \$10,000. Because your pay "only" went up by \$5,000, you can claim your pay was reduced. The IRS will come down on you like a ton of bricks, but you can tell the agents as they cart you away that you were following official government methodology. (Maybe they'll go easy on you when you tell them that an identical approach helped push the IRS budget up to \$12 billion.)

If that doesn't work, you can always pretend certain things don't exist. You've probably heard of the infamous "doc fix" in the health care bill. This clever scam assumed Medicare savings based on changes to doctor payments that everyone knows Congress will never pass. Like a crooked cop who looks the other way while the mob runs a gambling joint, CBO ruled that these imaginary savings could be used to finance more subsidies.

Well, if it's good enough for Congress, why can't taxpayers rely on imaginary savings? When filing your taxes, you can fantasize that you moved into a much larger house with a higher mortgage. Then, claim a bigger mortgage interest deduction. Once again, the IRS may frown upon that approach, but perhaps a judge will sympathize if you say you'll pay your full tax bill if and when Congress follows through on the supposed Medicare savings in the Obamacare legislation.

The JCT folks have some helpful accounting ideas as well. These are the number crunchers famous for assuming that tax changes have zero impact on the economy's performance. So it will come as no surprise that they predicted that a 3.8 percentage-point increase in the capital gains tax (and a similar tax increase on other forms of savings and investment) would generate more than \$200 billion over the next 10 years. People in the real world, by contrast, understand that reduced economic growth will mean less taxable income and that the actual increase in tax receipts will be lower than the official forecast.

So why not use the same type of make-believe methodology on your tax return? Just claim, for instance, that some of your income is actually tax-free interest from municipal bonds. Granted, those unfriendly folks at the IRS might want proof. But you can take comfort in the knowledge that many investors and entrepreneurs actually will be shifting some or all of their portfolios into unproductive (and nontaxable) municipal bonds to protect themselves against the punitive new tax on productive private-sector investment.

Here's one final idea gleaned from the health care debate - and unlike the last few, it's actually usable advice.

Many companies likely will dump their health insurance plans for employees because the new legislation probably will make policies more bureaucratic and expensive. If you're in this category or if you work for a small company that doesn't offer health insurance anyhow, the IRS has the power to enforce an individual mandate to buy health insurance. The propellerheads at CBO seem to think this will reduce the ranks of the uninsured.

But why not tell the IRS to go jump in a lake? The worst thing that will happen is that you will get hit with a fine, but that fine almost surely will be a lot less than the cost of buying a

health insurance policy even if you mooch from the government. Best of all, there's no downside to this approach: Thanks to an absurd provision in Obamacare that forces insurance companies to accept people who wait until they get sick to buy a policy, you can sign up whenever you want.

But you'd better hurry. Thanks to foolish provisions like that, it probably is just a matter of time before the private insurance market self-destructs. Then you'll have the joy of being forced into a government plan such as Medicaid. At that point, you can add "don't get sick" to "don't get wealthy" as the federal government's loud-and-clear message to its citizens.

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