

Tax Reform

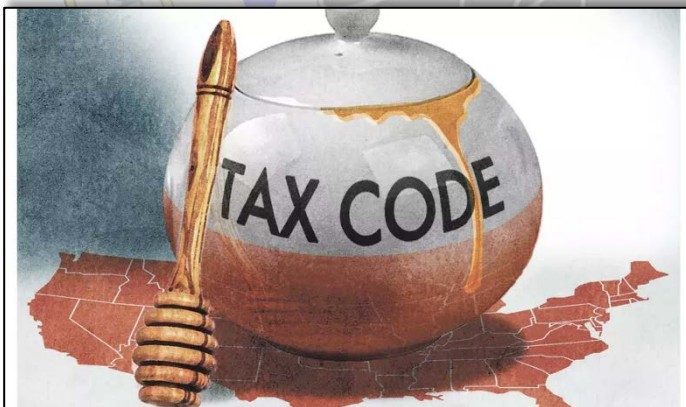
Tax reform is the process of changing the way taxes are collected or managed by the government. Tax reformers have different goals. Some seek to reduce the level of taxation of all people by the government. Some seek to make the tax system more/less progressive in its effect. Some may be trying to make the tax system more understandable, or more accountable.

Today's tax code is once again a broken mess with more than 70,000 pages and over 4,400 changes to the code in the last decade or so.



Our broken tax code is a contributing factor to many of the economic challenges we are facing – stagnant wages and a seemingly increasing inability to achieve the American Dream.

Every year, families and businesses find themselves in the midst of tax season trudging through last year's receipts attempting to compile all the necessary documentation required to file their taxes. The tax code is so complex that nearly three-quarters of Americans feel like they have no idea what they are doing when they file their taxes. For those who pay a professional to do their taxes, it still feels like a leap of faith – having no real way of knowing if the preparer got it right. Driving this fear and unease is the fact that a simple mistake could mean a fine, or worse, an audit.



Let's face it: the IRS tax code is a nightmare. It is too complex, too costly, and too unfair. As taxpayers struggle to comply with our tax laws, they feel as though Washington is working against them. They wonder whether the neighbor down the street, who can afford some high-priced lawyer or accountant, got a better deal. Roughly two-thirds of Americans know that the

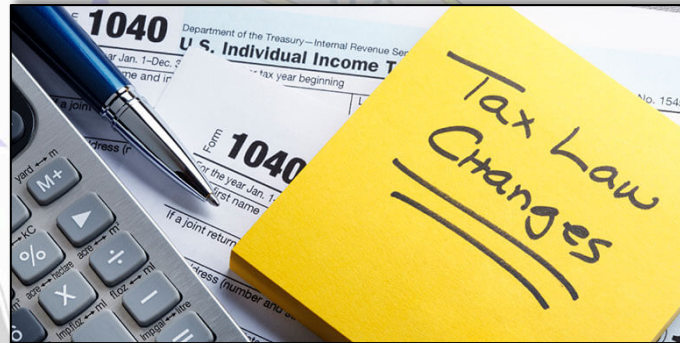
reason the code is so complex is the bewildering array of credits, deductions, rules, and regulations.

In addition, it is widely acknowledged that there is one government agency the American people fear more than any other (and with good reason) – the IRS. An IRS audit can tangle a taxpayer in a nightmare of paperwork and legal fees. If that were not bad enough, over the past years we have learned how the IRS targeted individuals based on their personal and political beliefs. We do know that the IRS leaked confidential taxpayer information, delayed applications of groups supporting conservative causes and threatened conservatives with higher taxes.

Furthermore, the IRS cannot safeguard hard-earned taxpayer dollars. It wastes the money it takes from you. In one case, the IRS sent nearly 24,000 refunds totaling over \$46 million to a single address. It doesn't end there. The IRS has a long history of mismanaging hard-earned taxpayer dollars. Middle class incomes are not keeping pace with cost of living or inflation. At the same time, prices for items like home heating oil, groceries and health care have steadily been rising.

When it comes to the tax code there is widespread agreement that everyone should play by the same rules. An individual's tax rate should be determined by what's fair, not who they know in Washington.

Unfortunately, the tax code has been riddled with lobbyist loopholes that pick winners and losers based on what favors Washington was handing out. It is no wonder that so many Americans are frustrated. Simplifying the broken tax code by eliminating lobbyist loopholes and treating hardworking taxpayers fairly is why we need tax reform.



America can, and must, do better. America's tax code needs reform. It discourages working, saving, investment, and entrepreneurship. It hinders productivity, job growth, international competitiveness, and wage increases.

Fixing our broken tax code is the right thing to do, but we need to act. The longer we wait, the further America will fall behind. Fewer jobs will be created, take-home pay will remain stagnant, and families will continue to struggle. America can't afford to wait. Now is the time for Congress to fix our broken tax code. There is too much waste, fraud and abuse for our current tax system to continue. And with the tax system being so complicated it is virtually impossible to check for fraud prior to issuing refunds or credits.

Some simple facts to ponder:

- Earned Income Tax Credits are notoriously incorrect costing taxpayers billions of dollars.
- Billions of dollars have been sent to false claimants.
- Additional Child Tax Credit claims by individuals not authorized to work in the United States have risen to billions of dollars, despite the fact that such individuals cannot legally earn the income that is necessary to qualify for the credit.
- The IRS has repeatedly failed to confirm even basic information for those claiming Residential energy credits – including whether claimants owned a home; whether energy improvement products were, in fact, purchased or installed; or even the address of the home on which

improvements were made have repeated not been confirmed by the IRS costing taxpayers millions in wasteful and fraudulent payments.

- Ten of thousands of returns are filed from a single address which cost taxpayers millions of dollars in fraudulent returns.
- Americans spend billions of dollars and hours each year trying to comply with the tax code.

Americans deserve a simpler, fairer tax code that leads to more jobs, more take home pay, and better benefits for their families. Simply put, an individual's tax bill should be determined by the taxes they owe, not who they know.



Any plan reforming the broken tax code should address it so that it works for American families and job creators by:

- Making the tax code simpler and fairer for families and employers.
- Strengthening the economy by lowering tax rates so there are more jobs and bigger paychecks for hardworking taxpayers.

The basics behind my plan:

- There would only be one tax bracket and the rate for individuals as well as corporations would be 15% maximum. This tax rate would apply to all income. There would not be a different rate for different types of income such as capital gains.
- All taxpayers will have a minimum tax obligation, no matter what income level. This minimum will be at least \$25. The idea behind this is that all Americans must contribute to the welfare of the Nation and not just take from it. If you contribute, you feel more connected and responsible.
- There will be no itemized deductions of any kind. Two families with the same number of dependents, earning the same income will have the same tax liability. The way they spend their disposable income is up to them and should not have a tax consequence. If they want the American dream of owning a home or want to save money to better themselves in retirement, that is up to them and still should not have a tax consequence.
- The code should not be utilized as an incentive for companies or individuals to do something. If the "something" is worthy enough, the American people will do it on their own and force the government to do the same.

- In addition to abolishing the AMT tax or dual tax calculation, the estate or “death tax” would be abolished.
- Generous standard deduction based on the number of individuals in the household.
- Make permanent section 179 expensing on as much as \$250,000 in capital investments each year, including real property. But simplifies depreciation to only using straight-line on all business equipment and property with no special types of equipment categories.
- Tip income will not be taxable. For those that are age 65 and older, social security will not be taxable. All other U.S. individual or corporate income is taxable except maintaining the current-law tax exemption for public purpose bonds issued by state and local governments (i.e., “Muni bonds”).
- Repeal all business credits and any special credits, deductions, and rules.
- Reform tax-exempt organizations so that those that operate and more closely resemble taxable businesses will no longer be tax-exempt like charitable organizations.
- Repeal any special types of businesses that receive a different tax treatment and repeal any special “bailouts” of businesses.



America! What a great place to live.

Thanks, Semper Fi, and Stay Safe !

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