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It's not the money; it's the time

By Curtis Seltzer

BLUE GRASS, Va.—Another federal tax day has come and gone. All Blue Grass celebrates how America has evolved taxation with representation. The system certainly deserves a round or two.

Behind our 60-page, federal income-tax return is a 15-month-long marathon of collecting receipts and documents; creating logs; organizing these “data” into appropriate low-tech piles and adding them up; hiring a tax accountant to convert my numbers into IRS numbers, which bear a passing resemblance to their direct ancestors; and, finally, signing and filing a joint 1040 that I don't understand while promising: “Under penalties of perjury, I declare that I have examined this return and accompanying schedules and statements, and to the best of my knowledge and belief, they are true, correct, and complete.”

Every tax day, I have no idea whether my return is true, correct and complete.

These three standards would require me to know intimately the tax code of the United States, along with all relevant court decisions, administrative rulings, opinions and miscellaneous interpretations. I would need an accounting degree, and perhaps one in tax law. I would need the skill of the tax accountant who does our return.

To prepare our 1040 that is true, correct and complete would become my occupation, my year's work. I would, then, earn no income, and my beef with our tax system would vanish. A more elegant solution does not exist.

If we filed the short-form 1040EZ, I might feel less bled by this process. But the penalty for taking the EZ path is that it's expensive—we would pay thousands of dollars in taxes that we are not required to pay.

Instead, we have thrown ourselves into the great gaping maw of itemization. It's a nearly unfathomable stewpot of deductions, credits, exemptions, exclusions, carryovers, alternatives, adjustments, depreciations, reconciliations, forms, worksheets, schedules, and some activities that are passive while others are not.

On my best day, I'd say that I genuinely understand less than 20 percent of my current 1040. I have faith that our tax accountant knows what he's doing with the pages of numbers we provide.

From itemization's “Double, double toil and trouble; Fire burn, and caldron bubble,” Melissa and I have become more-or-less tax-efficient. This was not intentional.

We are not cagey in that way; in fact, we are not cagey in any way.

But as two self-employed taxpayers who earn income from a lot of businesses -- a law practice that has three separate components, book writing, column writing, farming, consulting, arbitrating, speaking, renting and land investing -- we deduct all business-related expenses, such as home office, law office, farm purchases, business travel, website, part of the cost of operating one vehicle and even that increasingly rare antiquity, known as the office pencil.

We also ride every pony in the stable for which we are saddled up—deductions for mortgage interest, property taxes, charitable contributions, nonbusiness state and local taxes; accelerated depreciation of machinery and equipment; tax-favored contributions to our retirement plans; exclusion of employer contributions for health-insurance premiums; and stepped-up basis of capital gains as heirs of an estate. I'm just scratching the surface.

Years ago, we operated a B&B at our farm. The tax benefits were outstanding.

Our tax accountant always looks forward to our return. It's like playing an organ with 500 stops and 20,000 pipes.

If we did not itemize and trust an expert, our tax bill would be higher, hugely higher. But the cost of keeping tax money in our pocket is spending time and money keeping track of this mess and paying to have it turned into a completed 1040.

I don't think I pay too much in taxes. I would be willing to pay more in return for a simpler, cheaper payment system.

I do think, however, that I spend far too much time and money screwing around putting together a 1040 that enables me to take advantage of a tax code that encourages people to spend time and money screwing around putting together their 1040s.

Each year, I grow increasingly skeptical about an income tax—at least, the kind that our representatives have devised. While the top federal tax rate is 35 percent, the 400 richest Americans by adjusted gross income paid an average rate of 17 percent in 2007, the most recent data year. The average rate for all taxpayers is now 9.3 percent, and about 45 percent pay no tax at all.

I don't object to progressivity in income taxation—the idea that your rate of taxation increases as you earn more. But the tax code today undercuts the very principle it embraces through the abundant opportunities it offers to adjust gross income down, down and down some more. Progressivity has been turned inside out so that the more you earn, the more you benefit from these opportunities to avoid paying.

While I'm critical of the army of opportunities on this field of battle, I find no fault with its soldiers or those, like me, who take what's offered.

I'm inclined to junk the income tax and substitute a consumption tax that excludes staples so as not to hammer those who currently pay no income tax because of insufficient income. Some consumption-tax plans even work in progressivity. Consider a one-percent tax on beans and a 10-percent tax on a \$450,000 Lamborghini.

A tax on goods and services should be reasonably simple to administer. It would free Americans from record-keeping, form-filing and time-wasting.

After all, among the "unalienable Rights" with which I am endowed according to Jefferson, is the "pursuit of Happiness."

I would be a lot happier if I did not have to file a 1040UnEZ every year.

So the first thing I will do is set up a Schedule C business whose purpose is to sell tickets to fans who want to watch the game of political change. With this revenue, I will hire the 100 most expensive lobbyists in Washington to persuade Congress and the White House to redo our tax system.

As a business expense, the millions I pay them in my pursuit of Happiness will be tax-deductible.

This is only one example of how our tax code inspires empowerment, choice and entrepreneurship.

Howl in the wind! Howl!

How?

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