

EAST OREGONIAN

Our view: two truths and a lie on taxes

Published:

April 14, 2015 5:20PM

TOPIC: Taxes

Good morning. You've got until 5 p.m. today to get your taxes in the mailbox, or sent along those Internet tubes to the gobbling jaws of the government.

If you are running late, be sure to see an accountant pronto, or file electronically once you have checked and double-checked your figures.

I know it's not very fun to talk taxes (unless a sizable return is headed your way), but we promise this will be less tedious than transcribing your W-2. And yes, we checked, last year at this time we wrote a Two Truths and a Lie on taxes. Add this article to 2014's and you've got the compendium: Four Truths and Two Lies.

So without further ado, here's volume two:

--

TRUTH: The U.S. has the highest corporate tax rate in the world.

The federal corporate tax rate in this country is 35 percent. When added to state and local taxes, it becomes the highest in the world, according to The Washington Post.

But, many U.S. corporations — especially those big enough to afford good lawyers — often don't pay that amount. In fact, loopholes allow companies to reduce the effective corporate tax rate to 27.1 percent, or about the same as many advanced countries, according to the Congressional Research Service.

However, corporate tax receipts account for just 1.9 percent of the U.S. economy, about half the amount of many other top economies. This is in part because of the number of limited partnerships and other tax-free businesses in the United States. Did you know less than half of business income in this country is generated by corporations subject to tax? Seems incredible right? Back in 1980, that number was roughly 80 percent.

--

TRUTH: Being untruthful on your tax return is a very bad idea.

In an op-ed for Forbes magazine titled "The truth about lying on your tax return," author Robert W. Wood says don't do it — ever.

"Making up something on your tax return is a terrible idea," wrote Wood.

You might think that the IRS is just another incompetent federal bureaucracy, with tax returns getting lost behind filing cabinets and auditors throwing darts at the wall to see whose paperwork deserves further inquiry.

That's not the case. In fact, with the amount of evidence the IRS gets from banks and employers, they've got just about all your information before you file your return. That, of course, begs the question: why doesn't the U.S. save us all the trouble of calculating our own taxes? Many other countries either just send a bill or a refund, and a citizen can either accept what's handed to them or file a complaint about the government's estimation.

Until that day comes, or the country undergoes comprehensive tax reform, we're stuck with the current system. And that system is very harsh to tax cheats. Filing fraudulent income taxes is a federal crime.

"If you misstep, you may have problems even if you do not think you were 'willful.'" Wood wrote. "And if your number comes up, the consequences can be quite devastating. Willfully evading federal income taxes is a felony."

--

LIE: The income tax started as a big-government power play.

Last year, we noted that for nearly 100 years of American history, there was no such thing as a federal income tax.

In fact, it was that savior of the Union and American hero Abraham Lincoln who first enacted it. The money was necessary at a time when the future of the country was at stake.

Again according to The Washington Post, mounting deficits had begun to spur inflation. The banks, who were funding the Civil War, demanded action to ensure the U.S. would remain solvent in the face of mounting debt. The country's main source of revenue — tariffs — could go no higher.

The first tax was 3 percent, levied on incomes above \$600 and 5 percent for those select few who made more than \$10,000 a year. But it didn't last long. It was repealed after the Civil War and was not reinstated for good until 1895.

It was another Republican, the rotund William Howard Taft, who led the process to create the Sixteenth Amendment in 1913.

In case you don't remember high school civics class, the text of that amendment reads: "The Congress shall have power to lay and collect taxes on incomes, from whatever source derived, without apportionment among the several States, and without regard to any census or enumeration."

So pay up.