

Many Happy Returns!

By Kerry Pechter Thu, Apr 13, 2017

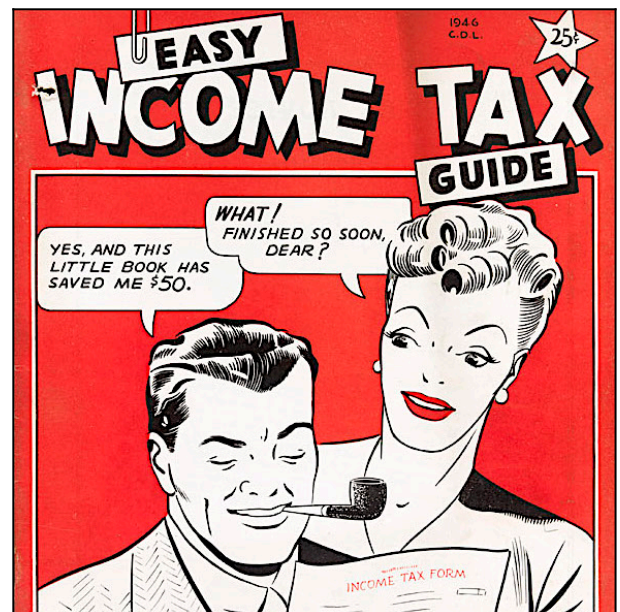
As a self-employed person who writes painful quarterly checks to Uncle Sam and pays both ends of his Social Security tax, I made my peace with the infernal revenue service long ago.



Arriving about halfway between Mother's Day and St. Patrick's Day, Tax Day shares a bit of the spirit of both. It makes you want to cry, "Oh, Mama!" and then drown your sorrows in a pint of green beer.

But it's not so bad. If taxes are your worst financial headache, you probably have a lot of money. If your property taxes reach well into five figures, then your public schools are probably top-notch and your roads pothole free.

Senior citizens in particular seem to resent taxes—probably because taxes are often their single biggest expense. Of the over-70½-year-olds who hate required minimum distributions—RMDs are just an annual tax bill for many of them—many don't need the distributions for living expenses. If you like tax deferral, you should at least tolerate RMDs. They're inseparable.



The news that Paul Ryan and his minions will try to reform the tax code this summer serves as a reminder that the federal government has always been perplexed about who and what to tax.

It was Alexander Hamilton who decided—perhaps anticipating the current president—that the new Republic should fund its war debt with duties on imports. Taxing trade was suboptimal, however. The duties were as costly to American shoppers as they were to European manufacturers.

Early in our nation's history, according to Albert Bolles' *The Financial History of the United States from 1789 to 1860*, an unidentified observer suggested a tax on the wages of sin:

"There was a writer who proposed that the debt should be paid 'without oppressing the citizens' simply by taxing the vices prevailing at that time, the chief of which were perjury, drunkenness, blasphemy, slander and infidelity," Bolles, a finance professor at the Wharton School, wrote in a footnote to his 1883 work.

"'Would it not then be worthy of our consideration, and that of the different Legislatures, to inquire whether a moderate tax upon every particular vice would not be more conducive to our welfare than the cramping of our foreign and domestic trade? Such a tax must of necessity yield a vast revenue and prove a most infallible scheme for our prosperity.'

"The writer suggested a modest tax on perjury, which he took 'to be the most important and particular staple vice.' Drunkenness 'I would only tax sixpence,' 'as it might prove prejudicial to trade, as the revenue, to discourage it.' 'Swearing would be most universal benefit toward augmenting these funds,' though he thought that military men would object, and claim an exemption from it.

"'Conjugal infidelity, as the world goes at present, would furnish the public with a large sum, even at a very moderate tax; for it is now made an essential part of the polite gentleman's character, and he that has prevailed on the greatest number proportionately rises in reputation.' Luxuries were also to be heavily taxed, but he did not favor the taxation of bachelors."

Perhaps because *he* was a bachelor. Tax reform, according to the late Sen. Russell B. Long of Louisiana (son of Huey P. "Kingfish" Long, Jr.), simply means, "Don't tax you. Don't tax me. Tax that fellow behind the tree."

Not long ago, around midnight in a hotel bar, a very senior executive from a large financial

services firm mused in my presence that if poor Americans paid more in taxes they might feel less entitled and more like stakeholders in our nation. I'm not sure about that.

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Tax equity is an impossible ideal. But as long as the government keeps recycling its tax revenues (and then some) into the broader economy—into every capillary of the country, from Key West to Bellingham—I'm confident that we'll all thrive, more or less.

When the financial circulatory system becomes sluggish, when embolisms and thrombi form, then national infarction and ischemic attacks become a danger.

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