THE BYSTANDER

My Fantasy Tax Reform

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Light-years in the past, Congress promised federal tax reform. That was three weeks ago.

We don't know the details, but the good news for many is that the Standard Deduction could be doubled. The bad news is that expenses usually itemized on "Schedule A" will be changed. Many homeowners take their mortgage interest, real estate taxes, state taxes and donations to non-profits, and subtract that from their earned income. It usually totals far more than the Standard Deduction, lowering their taxable income.

The thought of losing those write-offs is probably creating a panic right now, if we weren't already in a panic over the threat of nuclear war. However, it's the loss of the state tax deduction that got my attention. West Virginia is not cheap to live in, no matter what anyone from Maryland tells you. The state tax rate here is effectively higher than Illinois, which doesn't tax pensions or Social Security. When money you've earned is clawed back by the state you live in for taxes, it is not *earned income* anymore. You were just the middleman between your employer and your government.

So in the spirit of Mitt Romney, who famously quoted an 1886 Supreme Court case when he said "Corporations are people," my Fantasy Tax Reform would make that phrase true in the reverse. If Corporations are People, then People are Corporations. We should be able to deduct expenses the same way businesses do.

First, all operating expenses for maintaining your personhood would be deductible. That includes all types of insurance, bad debts, all taxes, professional services, and payments to employees (i.e. the babysitter).

Since education is an investment, tuition would be a straight deduction, not just a tiny credit. And health is also an investment, so all medical and dental costs paid by yourself would be deductions off the top, not the 7% pittance allowed now. Improving our health and intellect is just like upgrading machinery in a factory, or updating your office computer system. By the way, interest on loans of *any* kind would be fully deductible.

For the middle-class, taxable income would exclude your bank savings. Few people are likely to stash cash due to current low interest rates. But adequate individual savings could mean fewer government programs needed to support people when their safety nets fail. That's worth the deduction.

On the flip side, corporations would have to follow the same rules individuals do: the IRS says if you sell your house for a profit (over a certain amount) you'll owe Capital Gains tax. You can't take a Capital Loss from a home sale, only a Capital Gain. But corporations can sell property and equipment at a loss, and write the Loss off their Gains. Millions of American homeowners should have been able to do the same when the real estate market crash in 2008 put their homes "underwater."

Also, in my Fantasy Tax Reform, you can choose which type of appropriations you'd like to *contribute* to. If the military is your priority, check the box for **BOMBS AND BOMBERS**. If you want to support diplomacy or infrastructure, check the box for **BRIDGE BUILDING**. If you want to preserve the environment, **UN-CHECK** the box for **EPA**. If you want to help repay the national debt, check **BLACK HOLE**. At least this would give us a more democratic way of electing where our taxes go, rather than electing representatives who then decide where our taxes go.

The last item on my list really is a fantasy. You'd earn a tax credit for every call or letter to your state representatives letting them know what you'd like them to do on your behalf, or thank them for doing something you agree with, regardless of political party.

Dream on!

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