3/10/05

The President’s Advisory Panel on Federal Tax Reform
1440 New York Avenue NW
Suite 2100
Washington, DC 20220

Dear Sirs:

First I have a comment. This is an extremely poor time to be asking for suggestions on tax reform. Most tax preparers, who are the real experts in this field, are working “Round the Clock” this time of year and have little time for this.

I have many suggestions but only have time to address a few:

One of the most unfair aspects of the tax laws is the Marriage Penalty. Why should a couple who are living together and both working, making decent salaries, pay less tax than their counterparts who are married? It just isn’t fair and does not make sense.

Another aspect of the law that is very unfair, especially to seniors on Social Security, is the way that gambling winnings are taxed in relation to gambling losses. As the tax law is now written, an individual can deduct his (her) gambling losses up to his winnings. However, in order to do that, a person must itemize deductions and take the gambling losses as a Miscellaneous deduction on Schedule A. However many people do not itemize deductions, especially seniors, since most have their mortgages
paid off and do not have a Mortgage Interest deduction. So that “False” income becomes taxable. Following this along, what sometimes happens to some of my clients who routinely go to the casinos once a month, is that this “False” gambling income, when added to their retirement income, causes more of their Social Security Income to become taxable, thus causing a “Double hit” on income they really didn’t earn, since they lose much more in a year than the one time $600.00 to $2000.00 “Jackpot” that they win and have to pay taxes “Twice” on.

I have others, but as I indicated earlier, do not have time during tax preparation Season. Thank you to whatever consideration you can give to my letter.

Sincerely,

Richard Coleman
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