

PRESIDENT'S ADVISORY
PANEL
ON FEDERAL TAX REFORM

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COMMENTS REGARDING MY EXPERIENCES
WITH THE PRESENT TAX SYSTEM

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INTRODUCTION:

I am what you would call a member of the "working poor", am 47 years old (working every day of the week) and suffered many personal set-backs which I must compensate for. There is no category for the kind of handicaps I suffer from so there is no way for me to get compensation or social security for them. (That system is for too complicated to be of much help to the most needy. The mentally ill homeless that I often see on the streets when I go buy groceries are proof of this fact.) I must earn money and file taxes just like anyone else.

1. HEADACHES, UNNECESSARY COMPLEXITY, AND BURDENS THAT TAXPAYERS - BOTH INDIVIDUALS AND BUSINESSES - FACE BECAUSE OF THE EXISTING SYSTEM.

I am self-employed with various sources of income that I must file at least three Schedule C's for. I have to do the paperwork myself because it would otherwise be too expensive, yet I am wondering if I am really better off doing it myself. Every year I must spend hours and hours over a period of several days to get all my financial info together, sorted out, calculated, etc. and then must report all this data onto my 1040, Schedule SE, Schedule C's, etc. using up valuable time that I would otherwise be using to earn more money which I badly need.

2. ASPECTS OF THE TAX SYSTEM THAT ARE UNFAIR.

I am caught in a pinch between rising rent costs (originally \$985 in 1999 now \$1225 for a one bedroom apartment), debt payments, groceries, health expenses, and increasing tax rates. In my attempt to earn more income to compensate for the increasing rent and other expenses, I must also pay more taxes on the supposedly greater income I am desperately trying to make which only allows me to deduct a small portion of my rent costs (and only if I do the extra hours of paperwork needed to understand and figure out form 8829). In addition to this situation, I have special health needs that I cannot get "Disability" from Social Security nor deduct from my income tax. Another thing, I am single and have no dependents to deduct either, except myself who must bear the burden of all expenses myself. I am in a great deal of debt caused by an emergency forcing me to live in an apartment in expensive Southern California. I came down with chronic fatigue, depression, anxiety disorder and agoraphobia, making it impossible to leave the area. One of the main factors that got me into debt was not being able to deduct any of my health or rent expenses (for the most part and most of the time) and having to pay the full amount of income and self-employment taxes just like the person who never has to pay any rent or any health expenses.

3. SPECIFIC EXAMPLES OF HOW THE TAX CODE DISTORTS IMPORTANT BUSINESS OR PERSONAL DECISIONS.

I would like to point out two examples, but these are general examples that we are all aware of:

Example # 1: All honest, legitimate businesses are, of course, legally responsible for keeping all sorts of records, paperwork, employee forms, etc. that must be processed and reported to the IRS on a quarterly basis. All that record keeping plus accounting costs can be quite a nuisance, be time consuming, as well as being an additional expense which must be passed over to consumers who are already having to pay their own taxes.

Example # 2: Making investment decisions in the stock market would definitely be affected by capital gains taxes. Every trade, etc. must be reported to the IRS creating much greater paperwork, very complex tax laws, etc. for the investor to worry about.

I hate waste, inequality and inefficiency. I am sure a lot of it exists in the present taxation system. Imagine how many trees that could be saved from the paper mill if everyone no longer needed to record their earnings, expenses, etc., read through tax manuals, and fill out forms for the IRS!

4. GOALS THAT THE PANEL SHOULD TRY TO ACHIEVE AS IT EVALUATES THE EXISTING TAX SYSTEM AND RECOMMENDS OPTIONS FOR REFORM.

I think a Federal consumption tax would be much more efficient and fair.

Please seriously consider the "Fair Tax" (<http://www.fairtax.org>) as a much better alternative to the present tax system.