

Here's why the tax code is so huge.

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The United States tax code is [2600 pages long](#), but that's only the tip of the iceberg. To make sense of these 2600 pages, lawyers, accountants, financial planners, and all the other people we pay to walk us through these pages also need to reference Treasury regulations, commentary, relevant court cases, and even legislative history. In total, around 70,000 pages of text come to define or clarify the tax rules the federal government imposes on us. And this ignores the bevy of state and local tax laws to which we are all subject.

There are no good reasons for the law to be this complicated, but plenty of reasons to simplify matters more than any politician ever seems to suggest. And this has been the case for the better part of the last 70 years. Going back to 1950, as federal tax rates on corporations, capital gains, "the rich," inheritances, and any number of other categories have fluctuated wildly, a strange thing has become quite clear. No matter how the federal government manipulates the tax code, the total tax revenue the federal government collects has remained a pretty consistent 17% of the economy.

This suggests that our monumental tax code is wholly unnecessary. All the government need do is impose an across-the-board 17% tax on everyone's incomes. If taxes can be that simple, and they clearly can be, why make them so complicated?

The answer to that question is pretty simple. Politicians and their enablers have an incentive to make taxes complicated, because the more convoluted the tax law becomes, the easier it is to hide who is paying and who is receiving. Amid thousands of pages of legalese, few will notice that a sentence here grants a tax credit to people who buy from favored businesses, or an exemption there reduces the tax burden to favored parties. But imagine if the tax code consisted of the single sentence, "Add up all your income and pay the IRS 17% of it." Adding the sentence, "But if you are a farmer, pay 10%," sticks out like a Vegas showgirl at a Quaker convention. Voters everywhere will see that someone is getting special treatment and exactly how much that special treatment is worth.

Just as politicians use the tax code to hide the special favors they grant their preferred constituents, they also use corporations to hide the fact that they are taxing the rest of us at

confiscatory rates. When they need to raise money, politicians will talk about corporations paying their “fair share.” People then cheer these heroes of the rank and file who have the “political courage” to stick it to the dastardly corporate profiteers. But here’s the rub: No matter what the tax code says, corporations don’t pay taxes. Corporations collect taxes. Every dollar of tax a corporation hands over to the IRS comes out of people’s pockets — some in the form of higher prices for consumers, some in the form of lower wages or reduced benefits for workers, some in the form of lower returns to investors like you with your IRA or your grandmother with her pension fund. Every single dollar a corporation pays comes from the people.

In the end, it’s a shell game. All of this complication makes it painfully easy for the government to obscure what it is doing. And the easier it is to hide where the money is coming from, the easier it is to tax people in the first place. The easier it is to tax, the easier it is to spend. The easier it is to spend, the greater the debt grows. And let’s not forget, for the 70,000 pages of taxes levied on the American people, the government has still managed to run up a \$20 trillion debt.

These are the evils that a complicated tax code brings.

Given this, it is pretty obvious why we have the Byzantine tax code that we do. Only something this ridiculous would enable politicians to dole out favors with such impunity. Only something this complicated would have the rest of us forgetting that we’re actually the ones who end up paying for government favors.

The sensible thing to do, of course, would be to acknowledge that the government is destined to collect 17% of GDP, then find the simplest way to collect that 17%. We should then go one step further and limit government spending to the amount it collects, and no more.

If all that sounds unrealistic, remember that such a plan would only stop the debt from getting worse. It wouldn’t help us to pay it down. And when it takes an unrealistic plan just to stop the government’s debt from getting worse, you know that something is rotten in the District of Columbia. But who didn’t know that already? The real indictment is that simplifying the tax code would seem unrealistic to anyone.