

7 Tax Laws That Should Be Changed in 2017



Summary: Forbes listed 7 crazy tax laws that should be abolished next year. Do you agree or disagree with them?

Benjamin Franklin, Mr. \$100 bill himself, once said, "In this world nothing can be said to be certain, except death and taxes." And most people in the United States can safely agree that they hate both, but at least one of those things we have some control over. With Donald Trump taking over as president next year and the Republicans controlling congress, financial pundits believe that there will be significant changes to the American tax system. Robert W. Wood, a contributor to Forbes, said simply, "We need a better, simpler, fairer and flatter tax system. A flat tax or simple tax might not be perfectly fair, and might not improve *everything*. But is there any way to go but up?"

Tax law is complex and continues to get more complicated. In 1913, the tax laws could fit into a 27 page document, but now it has almost 9,000 pages, according to Wood. Those additions and changes continue to move forward at a rate of one change a day.

Wood called for the new White House Administration to change seven tax laws which he deemed to be "crazy." According to his recent Forbes article, "Individuals spend 6.1 *billion* hours a year doing their tax filings, the equivalent of a year's work for 3 million full-time workers. Many Fortune 500 companies manage to pay zero tax or get refunds. Of 145 million personal tax returns in 2011, 54 million (more than a third) had zero tax liability or got refunds. 1,600 people who filed tax returns with incomes of \$1 million or more paid no income taxes."

The following are 7 changes that Wood wants the Trump administration to enact:

The Earned Income Tax Credit

Wood wants to get rid of the Earned Income Tax Credit because he stated that 29% of its payments are fraudulent, resulting in a loss of \$125 billion in the last ten years. In lieu of the credit, Wood suggested that the government allow Americans to keep their own money in the first place.

The Alternative Minimum Tax (AMT)

The *Alternative Minimum Tax (AMT)* is a parallel tax system that was designed to prevent wealthy taxpayers from using loopholes to avoid paying taxes. However, Wood said that the system "has grown like cancer" and that it has become "grossly unfair." He stated for example, if you won a lawsuit, you could end up being taxed on more money than you received.

Carried Interest

Private equity and hedge fund owners' pay looks like wages, but it is actually capital gain rates which receive "carried interest." Wood stated that Trump and Democratic presidential nominee Hillary Clinton had both promised to remove carried interest, and he suggested that if fund managers can argue that their time, effort, and risk are capital investments, not wages; then why can't American workers do the same?

Tax Exempt Organizations

"Charities" such as Goodwill or [Cancer Fund of America](#) are notorious for not actually helping people while lining their own pockets. While these organizations raise billions, they continue to avoid paying taxes like any other for-profit corporation. "There are plenty of good charities, of course, but the rules need reform," Wood wrote. "Many other classifications of tax exempt organizations should be reformed too. Despite millions in profits and revenue, the NFL, NHL, and PGA Tour are classified as non-profits, exempting their earnings from federal income taxes. They avoid paying millions in taxes but they pay out million-dollar salaries."

Tax rates

U.S. corporate tax rates are high; and to avoid them, big companies keep their income abroad. According to Wood, in 2013, companies kept \$2.1 trillion overseas, which means that Americans lose that capital. Ironically, while companies can avoid taxes by going international, Americans who live abroad still pay U.S. tax unless they renounce their citizenship. Trump has already stated that he will

address these problems and bring company capital back.

Tax Credits

There are numerous tax credits that Wood stated do not actually benefit the people who they were intended for. For instance, the New Markets Tax Credit was meant to create jobs in low income areas, but instead it has reportedly given \$1 billion to wealthy investors. Wood stated that these credits need reform.

Estate Tax

Estate tax is controversial because people who are dead somehow still have to pay the IRS. Trump vowed to repeal this tax on dead people's property during his campaign.

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Do you agree or disagree with Wood? Let us know in the comments below.