

There Is No Such Thing As Tax Simplification!

By Wayne M. Davies

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Wayne M. Davies
Wayne@YouSaveOnTaxes.com

You Save On Taxes <http://www.YouSaveOnTaxes.com>

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I'm a little upset right now, so please bear with me. I don't get upset very often - you can always tell because smoke starts coming right out of the top of my bald head! - but I'm here to tell ya', this one really has me both laughing and crying at the same time!

Recently the IRS came out with this press release:

IRS Increases Interest/Dividend Threshold
Source: Associated Press
Publication date: 2002-09-26

WASHINGTON (AP) - More than 15 million taxpayers will be able to skip filing a separate IRS form for interest and dividend income next year under a move announced by the tax agency Thursday.

Beginning with 2002 returns due next April, most taxpayers

won't have to file the separate schedule with their 1040 forms if their interest and dividend income is \$1,500 or less. That replaces the current threshold of \$400, which has been in place since 1974.

Taxpayers who file 1040 forms use Schedule B to list interest and dividend payments. Under the new rules, millions of taxpayers will simply report their interest and dividend income without filing the separate forms.

Charles Rossotti, the Internal Revenue Service commissioner, estimated that 15 million taxpayers will no longer have to file the extra form.

"We will continue our efforts to reduce the burden on taxpayers and simplify the tax code," said Pam Olson, acting assistant Treasury secretary for tax policy. END OF PRESS RELEASE

Now, aren't you just thrilled to hear that the IRS, in its infinite wisdom and undying compassion for the American taxpayer, has decided to make life easier for you by changing the rules regarding the filing requirements for one tax form known as Schedule B? Give me a break!

In case you were just dying to know, Schedule B is a form that you must file with your personal tax return if your total interest and/or dividend income exceeds \$400. Now, you only have to file Schedule B if your investment income exceeds \$1,500.

By the way, no matter how much investment income you have, ALL taxable investment income must be reported on your tax return. The issue here is whether or not you have to provide a detailed itemized listing of your investment income.

Example: Let's say you have \$1,000 of interest income. Under the new rules, you can just put the \$1,000 right on Page 1 of Form 1040. And that's it.

But if you have \$2,000 of interest income, you have to complete a separate form (Schedule B) and list each source of that interest income, i.e. the name of each bank account or other financial institution and how much interest or dividend income you earned from each source.

So because of this simple rule change, about 15 million people will not have to file Schedule B.

And because the IRS has removed this one form from the tax returns of 15 million people, an IRS official has the nerve to make this pronouncement:

"We will continue our efforts to reduce the burden on taxpayers and simplify the tax code."

Can you believe it? This lady, and I mean no disrespect here toward Ms. Olson - I'm sure she's a hard-working government employee who does a great job, but this lady, in my humble opinion, has her head in the sand, as do virtually all politicians and other government authorities who have created the ungodly monster know as the Internal Revenue Code.

The IRS changes one little rule that removes one form from only 15% of all returns filed - and this gives the IRS the right to think that they are reducing the burden on taxpayers??? (Keep in mind that there are over 100 million tax returns filed every year. So, if this Schedule B rule change affects 15 million people, that's a measly 15% of all tax returns filed.)

C'mon - what is wrong with this picture? Do you get my point?

Taking away one lousy form from a small percentage of tax returns filed - how is that reducing the burden on taxpayers? It's not! It's a drop in the bucket. It's peanuts. It doesn't even come close to making an impact on the incredible burden that taxpayers have each year on April 15.

Furthermore, how does this one little change "simplify the tax code"? I am appalled that a government official would even use the phrase "simplify the tax code". We have never had tax simplification. Never. Never ever! Since 1913, when the tax code was first implemented, there has been nothing but tax complications, never tax simplifications.

The rules only get more and more complicated. Tax laws only get more and more complex. The Tax Code just gets bigger and bigger. Don't let the politicians' hype fool you. Never for a minute should you believe the government when they say that they are trying to "simplify the tax code."

So, what's the average taxpayer to do? If the tax rules just get more complicated, how are you supposed to make any sense out of all this mess?

You only have 2 options, as I see it. One I offer tongue-in-cheek, the other is "words-to-live-by."

OPTION #1: Become a Tax Professional and prepare hundreds of tax returns every year. That's the only way I know for you to become sufficiently knowledgeable in the crazy world of

U.S. taxation. Obviously, this is not a viable option for 99.9% of the population. But you get the point.

OPTION #2: Hook up with a Tax Professional.

Find someone else who does tax returns for a living. Not your "family tax preparer", you know, Uncle Fred who likes doing returns and so offers to do yours for free. But an experienced tax person who does hundreds of returns every year and can help you make sense out of the most nonsensical collection of rules on the planet.

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Wayne M. Davies is author of the new eBook, "The Tax Reduction Toolkit: 29 Little-Known Legal Loopholes That Will Reduce Your Taxes By Thousands (For Small Business Owners and Self-Employed People Only!) Don't file another tax return until you visit:

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