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Taxes Too High, Too Complex, Too Resistant To Change

By Alfredo Ortiz

Tax Day has passed for another year, and America's burdensome tax code still needs a major upgrade.

According to Gallup, nearly two-thirds of Americans are dissatisfied with the amount they pay in taxes. Roughly the same percentage believes federal income taxes are "too high." (For perspective, less than 5 percent of Americans say taxes should be increased.)

This should come as no surprise. The federal government collected a record \$3.25 trillion in revenue in fiscal year 2015 – and that number is expected to rise in 2016. Back in 1998 – when the government first started tracking this data – tax revenue totaled \$2.5 trillion, so tax collection has seen a 30 percent increase in less than 20 years.

This year, Americans are projected to pay a total of \$4.9 trillion in federal, state, and local taxes – more than the roughly \$4.1 trillion they are expected to spend on food, clothing, and housing, combined.

One recent estimate found that the average American spends almost 20 percent of his or her income on federal taxes – without even counting state and local taxes. In other words, if someone makes \$50,000 a year, he or she will pay an average of about \$10,000 just in federal taxes.

But this blanket estimate masks

huge deviations among income classes. Despite constant calls on the presidential campaign trail to increase taxes on the wealthy, the data show that massive income tax inequality exists. The top 1 percent of earners pay nearly half of all federal income taxes. And the top 20 percent of earners contribute six out of every seven dollars of federal income tax collected.

Uncle Sam's tax obsession isn't just a matter of quantity; tax filings are also difficult waters to navigate. An estimated 80 percent of Americans consider the tax code to be "complex" or "too complex," while 2 percent describe it as "simple" or "very simple." Filing taxes is especially frustrating for millennials: Those 18-to-34-year-olds are much likelier to report concerns such as making a mistake, not getting a full refund or paying too much. Overall, eight in 10 millennials worry about preparing their taxes.

The business community – America's engine of job creation – is no exception. According to a recent poll from The Job Creators Network, almost 75 percent of business owners believe they will have a more difficult time conducting business in 2016 than they did in 2015. And two-thirds of respondents blamed high taxes and tax complexity for threatening the viability of their business moving forward.

America's corporate tax rate hovers around 35 percent – the highest in the developed world. It has remained largely unchanged since the 1980s, while the average rate among other developed countries has dropped to 23 percent. Ireland, for example, boasts a corporate tax rate of 12.5 percent.

U.S. companies doing business overseas are taxed on their domestic profits and again on profits accrued overseas. This double taxation makes it more difficult for American businesses to compete with their foreign counterparts – who are exempt from double taxes while still reaping the benefits of doing business in the U.S.

As a result, business leaders are now holding an estimated \$2.1 trillion overseas to escape double taxation – money that could be used, but isn't, to create more jobs and invest in the economy.

Yet corporate tax reform – or any tax reform, for that matter – remains an elusive goal.

That's the takeaway from Tax Day 2016: Taxes are too high, too complex, and too resistant to change. And America's job creators and their employees pay the price – in more ways than one.

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