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House Panel Probes Tax Code's Worst Woes  
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WASHINGTON - In the spring of 2001, Nina Doherty got a phone call from her accountant while on a Girl Scout trip with one of her daughters. It was her accountant, who informed her that essentially worthless incentive stock options she exercised the year before landed her family into a huge tax debt.

"That is how I found out I owed a tax equal to 100 percent of our annual family income," Doherty said.

"There has been terrible strain on my family and my marriage. Every day, this issue is like a dark cloud over our heads, and we wonder if we should just declare bankruptcy."

A House Ways and Means subcommittee heard this and other horror stories on Tuesday as lawmakers started to probe some of the most vexing parts of the nation's tax laws.

Since lawmakers last attempted to simplify large parts of the tax system in 1986, the complexities have mounted at an alarming rate, said Jeannette Parshall, director of premium tax services at a Maryland H&R Block office.

Since then, she said, Congress has made 7,662 changes to the nation's tax code, an average of more than 425 each year.

Problems introduced with new tax laws, some of them as tax cuts, include multiple definitions of a "child" for varying tax benefits, an array of confusing educational savings incentives and complex retirement savings requirements.

Topping the list of problems identified by taxpayers and former Internal Revenue Service commissioners was the alternative minimum tax, a levy intended to stop wealthy individuals from dodging taxes that creeps closer to the middle class each year.

Robert Sweeney, a New York firefighter, told the panel that the alternative tax forced his family to pay \$10,000 over the last two years.

"The extra tax we have paid has reduced what we could spend for our children's education and well-being," he said.

The alternative minimum tax is the reason Doherty and her family owe the IRS as much as they do. Rep. Rob Portman, R-Ohio, said he would advocated eliminating the individual and corporate alternative minimum

taxes, but cautioned, "It's easy to say; it's impossible to do in this place."

Full repeal could cost the U.S. Treasury about \$600 billion over a decade.

Portman said that less ambitious changes could be enacted this year. The House and Senate have been working on a bill aimed at helping taxpayers work with the IRS, which could carry some tax simplifications. Some might be so popular they could pass with little debate, Portman said.

Advice from four former tax commissioners was that, although difficult, simpler tax rules should be one of lawmakers' top priorities, for the sake of struggling taxpayers.

"Their willingness to comply depends in no small part on their trust in the system and their belief that the law is being administered fairly and across-the-board, with their neighbors down the street paying their fair share of taxes, too," said Mortimer M. Caplin, IRS commissioner from 1961-1964.

"U.S. taxpayers don't like to be suckers."