

The University of New Hampshire Law Review

Volume 2
Number 2 *Pierce Law Review*

Article 3

June 2004

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Stephen Black
Franklin Pierce Law Center, Concord, NH

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Stephen Black, *Introduction to the Tax Simplification Symposium*, 2 *Pierce L. Rev.* 91 (2004), available at http://scholars.unh.edu/unh_lr/vol2/iss2/3

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Introduction to the Tax Simplification Symposium

STEPHEN BLACK*

The tax code makes tax avoidance (which is perfectly legal and proper) easy; and tax evasion (which is a felony), tempting. After all, if the best place to hide a book is in a library, the best place to hide a tax dodge (legal, illegal, or somewhere in between) is in the depths of a tax return the size of one or more phone books.

--John Steele Gordon

Ours is a voluntary tax system. That is, we rely, in large measure, upon the honesty of the citizens to report and pay the correct amount of tax. However, as another April 15 has come and gone, we realize that this reliance casts an increasingly larger and larger burden upon the citizens, even amidst some of the largest tax cuts in history. Why?

In 2000, 71 million Americans paid an estimated \$14.7 billion to paid tax preparers.¹ The most prevalent reason is that most Americans are afraid to have errors on their return. Despite the fact that the Internal Revenue Service publishes detailed instructions, preparing a tax return is a frightening (and time-consuming) prospect for millions. The IRS estimates that, on average, it takes over 13 hours to prepare just the two page 1040 form, and an additional five and a half hours to prepare Schedule A.²

The two articles in this issue of the *Pierce Law Review* continue the tax simplification discussion. Mr. Ryesky's article focuses on the issues holding us back from attempting wide-scale simplification reform, and adds more than a few reasons why such an attempt would be good for all who face this system each year.

* Stephen Black is a Professor of law at Franklin Pierce Law Center in Concord, NH. Prior to coming to Pierce Law, Professor Black taught at Syracuse University, the University of Idaho, the University of Washington and Utah State University. His primary areas of teaching and research involve federal taxation. Before he began teaching, Professor Black was a principal shareholder in a tax boutique, where he was involved in domestic and international tax planning and represented individuals and businesses before the Internal Revenue Service and state tax agencies. He has been a frequent speaker on tax and estate planning topics to groups of attorneys, CPAs, business owners and the public, and is actively engaged with the Standards of Tax Practice Committee of the ABA Section of Taxation.

1. Testimony of James R. White, Senate Finance Committee, Tuesday, April 1, 2003 at <http://www.gao.gov/new.items/d03610t.pdf> (accessed May 24, 2004).

2. Form 1040 Instructions.

Professor Forman addresses a narrow issue plaguing the tax system. In balancing ease of use and fairness, we have opted to err on the side of fairness. Thus, for the most part, we try to allow deductions and credits against tax owed to approximate "true" ability to pay, and achieve some measure of equity, both horizontal and vertical.³ However, those individuals for whom the only income item is a paycheck and who never itemize their deductions, this would seem to be an academic discussion only. Professor Forman amply illustrates that they are subject to some of the highest rates of tax, in part because they do not take advantage of the "fairness" built into the tax system -- the many deductions and credits. He proposes tax reform to make the system more worker friendly by removing this high rate bias against those with wage income only.

These two articles taken together demonstrate the hard choices that accompany tax simplification reform. While "simple" would ease the cost and headache of compliance each year, "fairness" mandates that the system cannot ignore, over-burden, or benefit any one individual or group unduly. We look forward to the debate that, hopefully, will produce solutions that are both fair and simple.

3. Horizontal equity insures that equally situated taxpayers pay the same amount, while vertical equity seeks to impose a higher tax on those with more ability to pay.