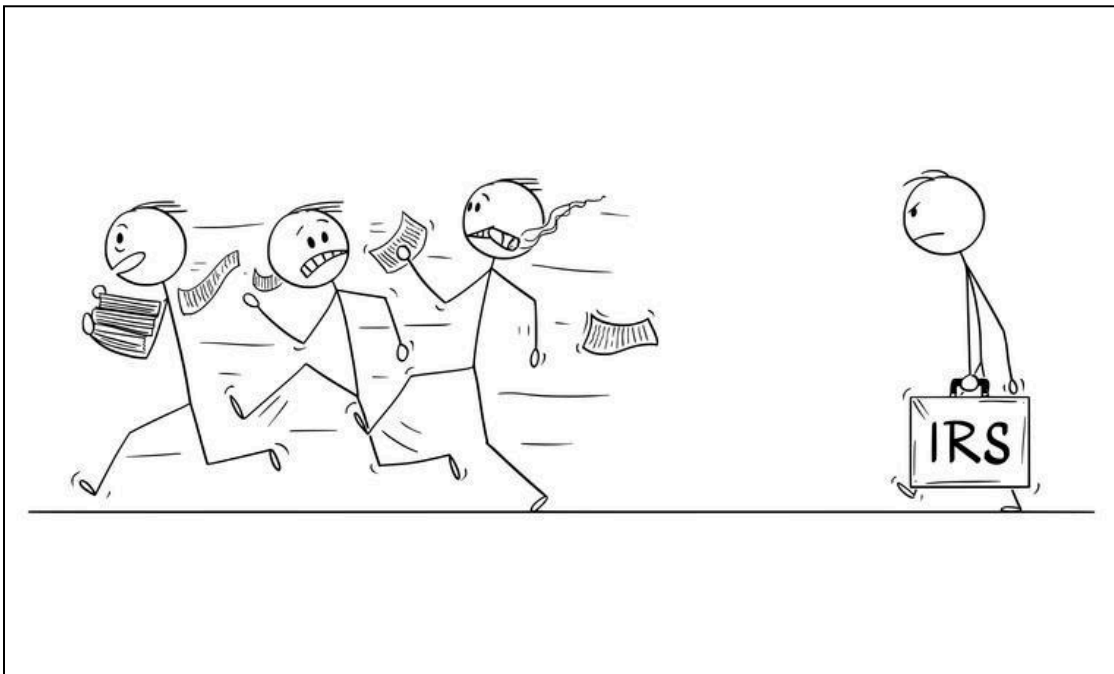




# Rodney's Take

April 15, 2024

## Glad To Pay Taxes



Source: iStock. Author: [Zdenek Sasek](#).

It's that time again, when I rail against "the machine," which I'll get to in a minute. But first, I want to make clear that I'm glad to pay taxes. Note that I'm not happy when my accountant hits me with my quarterly estimates, but I am glad to live in a society that is governed by rules. Once we skirt the rules, we're a little better off than our neighbor who did not cheat, but also are beholden to those who helped us evade taxes in the first place. A society built on evasion crumbles; just ask Mexicans. In Mexico, an estimated 60% of taxes go unpaid.

I'm not blind to the truck-sized loopholes in our tax code that allow wealthy people to pay nothing while workaday Americans dutifully pay each pay period, but that's how the system works. We allowed our representatives to pass such loopholes (e.g., carried interest), and we don't vote the reps out when they shamelessly refuse to kill the loopholes through legislation.

But I'm also not blind to the daily tax evasion that creeps into our society. I've been part of it from time to time as a client (many years ago, if any IRS agents are reading). When the tree trimmer tells you that he'll give you a 10% discount if you pay in cash, it's not because he likes the feel of the dollars. Recently, we considered employing a housekeeping company until the representative said, "And we only take cash. There are too many taxes." Imagine that, too many taxes. You should see a society where there are no taxes. You'd be hiding anything you can accumulate, because the law is the law of the jungle. Meanwhile, people who cheat on taxes are counting on everyone else to support them. There's something wrong with that.

Back to the machine.

Many years ago, cities figured out that taxing people who don't vote—namely, tourists—is easy. That's how we've gotten hotel fees of many kinds, airport fees, rental car fees, etc. Some of the fees go to safety inspections and whatnot, but others go to funding for sports arenas. Yet for every bureaucrat dreaming up a new fee, there are hundreds of people trying to beat it. Uber and Airbnb exist because they beat the fees, at least until big cities brought them to heel. I don't begrudge cities their fleecing of tourists; it's theirs to do. I also don't begrudge companies that blatantly skirt the fees and wait to see what happens. What I can't abide is bribery...not by you and me, but at the institutional level.

It's the 15<sup>th</sup> anniversary year of the bankruptcy of General Motors. The normal procedure is for pensioners of failing companies to fall into the Pension Benefits Guarantee Corporation (PBGC). Pensioners are stripped of gold-plated benefits and are paid meager benefits based on their years of service and wages. This happened to white-collar workers at GM but not to

the UAW members. The reason was bribery, in the form of votes. We know because several companies had gone under recently, even with union members, but they didn't have the sway of the UAW, so their workers fell under the PBGC.

Politicians crow that the government made money on the GM deal. I'm sure that's true. When bankruptcy wipes away your debt, it's easy to make profits. But there is one government agency that didn't get any benefit for years. It's the same one you and I are writing checks to today: the IRS. In a once-in-a-lifetime deal, GM had its debts wiped away and yet was able to maintain its net loss earnings (NOL), which could be used to reduce future profits worth \$19 billion.

Sometimes, I really hate the machine. Now I'll write my check.

Rodney

*Got a question or comment? You can contact us at [info@hsdent.com](mailto:info@hsdent.com)*