

Tax Complexity and the Working Poor Commentary

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I've been trying to help a woman I'll call Susanna fill out her 1040A. She is a recently separated mom, working two jobs to support her son, Robert, and herself.

You'd think Susanna is lucky to have my help. She is an immigrant with an imperfect command of English. I was one of the Clinton Administration's top tax officials. My staff included the nation's experts on the earned income tax credit—a provision designed specifically to help poor single parents like Susanna. I knew that the rules on EITC eligibility are extremely complex. Now I'm experiencing that complexity close up, and I am really confused.

I ask Susanna if she has legal separation papers. She doesn't know what I am talking about. I ask her if she lived with her estranged husband at all last year, and she says no. What a relief! Had they separated after July 1, she couldn't claim the EITC without those papers. She might have lost her child deduction and head-of-household status too.

Next I ask if Susanna shared her home with anyone other than her child. No. Great! If she had, I'd need to find out if that person should get the EITC instead of Susanna. I'd need to know her roommate's income and relationship to Robert, who paid most of the costs of maintaining the home, and who provided most of Robert's support.

I pore through the instructions and worksheets to make sure that I haven't missed something. I have to get this right, because I know that Susanna is much more likely to be audited than I am. The IRS ramped up its EITC examination program at the same time that it eliminated audits for many higher-income taxpayers. There are a lot of mistakes on EITC returns. Some members of Congress call those errors "fraud." My suspicion has always been that it's confusion.

It's not just the working poor whose tax returns are baffling. Just ask anyone who takes child or education credits, has a capital gain, or pays the alternative minimum tax.

The Clinton Administration proposed a few modest simplifications that would have helped Susanna—and everyone else—figure their taxes. But even those timid proposals went nowhere, and this year's budget ignores simplification.

What a wasted opportunity! A lot of those convoluted rules were created when the federal government was running large deficits and had to watch the cost of tax breaks like a hawk. Now that we have a surplus, we should undo the damage.

Then, maybe, next April 15 we could all say, "Hey, that wasn't so bad." Maybe that's a tad optimistic. But at least we might make this painful ritual a little simpler.

- [Leonard E. Burman](#)
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