

The Government is Hard at Work Keeping Tax Preparation Complicated and Expensive

“Congressional Democrats and Republicans,” reports *ProPublica*, “are moving to permanently bar the IRS from creating a free electronic tax filing system.”

Specifically, the House Ways and Means Committee just advanced a bill perversely called the “Taxpayers First Act.” If passed by Congress and signed into law, it would become illegal for the IRS to “compete” with private sector tax preparation services like H&R Block and Intuit (the owners of TurboTax) by allowing taxpayers to skip those middlemen.

This is actually the status quo, not by law but by agreement between the IRS and the US tax preparation industry, which knocks down billions every year preparing and filing returns. If you want to file directly with the IRS, you have to do it on paper, by snail mail. And the industry spends lots of money lobbying to keep it that way. Hence, the effort to write the deal into law.

On one hand, given a choice of filing through a private company whose advertised mission is to save me as much money as possible, or through a government agency whose job is to wring as much money out of me as possible, I’ll pick the private company every time.

On the other hand, the tax preparation industry is a parasite on top of another parasite. The tax system feeds on you. The industry feeds on the tax system.

You’ve probably heard political candidates promise to make your tax return “so simple it will fit on a postcard.” Ever wonder why they never deliver on that promise? These companies don’t just lobby to be the middlemen in a complex system, they also lobby against legislation that would simplify the system (potentially making their services unnecessary).

Speaking of which, Congress isn’t the only government body at work on this subject. The IRS itself is working on a new version of the W-4 form that employees must complete to have the “right” amount of tax withheld from their paychecks.

USA Today’s article on the new W-4 project says that filling it out will “be a lot like doing your taxes again. ... The new [draft] form referenced up to 12 other IRS publications to fill it out. It was so complex and different from the previous W-4 form that Ernst & Young worried employees would struggle to fill it out correctly and employers may need to offer training beforehand.”

If there’s anything worse than the government stealing a piece of every dollar you earn, it’s the government forcing you to do a bunch of paperwork — or pay someone to do that

paperwork — to make sure they get “enough.”

Frankly, I'd rather be mugged. Same scenario, but muggers aren't quite as smug and rude about it.