The Daily Dish

Abusing the Tax Code

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You might think that the purpose of the federal income tax is to raise the revenue necessary to fund defending the citizenry, infrastructure, basic research, anti-poverty efforts, and a variety of other roles of government. And you might think the goal was to do so in a level, even fashion. If so, you might be naïve and blissfully unaware what the Internal Revenue Code actually looks like.

If you had been paying attention at all, you would realize that a major use of the tax code is to tilt the competitive playing field, like the proposed broadband operations and maintenance tax credit. You'd also realize that tax credits reduce – not raise – revenue, and that sometimes they aren't really credits at all; they are just mislabeled checks. If so, you'd have appreciated that the tax code had been abused nearly 180 degrees from raising to losing revenue, and in a decidedly unlevel fashion.

But it is even worse. For a while now, the tax code has intruded into the internal structure of businesses by imposing tax penalties on "excessive" executive compensation. This is on top of the distortion created by the uneven taxation of wage and salary income from fringe benefits such as health insurance.