# IRS overhaul will benefit US business and the rich

**David Walsh**
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By a vote of 96 to 2, the US Senate passed legislation July 9 that will mean a major overhaul of the Internal Revenue Service, the federal government's tax-collecting agency. The House passed the bill by a similarly lopsided 402-8 margin last month and President Bill Clinton is expected to sign the measure later this month.

The bill, packaged and presented as a boon for the average American taxpayer, includes a new tax concession to the rich, bolsters their ability to avoid taxes altogether and strengthens those who want to abolish any link between tax rates and income level.

The passage of the legislation is the outcome of a stage-managed campaign to manipulate public opinion. Congressional Republicans launched the IRS reform bandwagon more than a year ago. They exploited real grievances, aired in a few days of Senate Finance Committee hearings last autumn, to advance their own agenda. After the hearings, the Clinton administration dropped its initial opposition and joined with the Republicans in clamoring for 'reform.'

The IRS is an arm of the capitalist state and often cracks down ruthlessly on small businesses and working class families. Nothing in the new legislation will put a stop to that. Despite the rhetoric about 'helping the little guy,' the new bill seeks to adapt the IRS more closely to the needs of big business, transferring more of the tax load for public services and military spending onto working class and middle class taxpayers.

The bill mandates that the burden of proof in tax court cases be shifted from the taxpayer to the IRS. This will primarily benefit the privileged, who have the time and money to pay for legal and financial advice.

At the heart of the IRS overhaul plan lies the establishment of a nine-member oversight board, composed of six 'private citizens,' the treasury secretary, the IRS commissioner and a representative of IRS employees, which will have wide authority over the agency's basic orientation.

Who are these six citizens to be? The majority are supposed to have qualifications such as 'expertise in the ... management of large service organizations.' In other words, they will be corporate executives. Congress backed off from its original idea of giving the board the power to hire and fire the IRS commissioner, but it will still have considerable power. For example, as Robert S. McIntyre of Citizens for Tax Justice pointed out in the May 21 edition of *Newsday*, such a board could decide that the IRS was 'devoting too much energy to cracking down on corporate tax cheats and should shift its attention to individuals. Or it might push to move tax-enforcement resources away from multinational corporations and toward smaller companies.' The oversight board members will continue to work for their corporations and banks full-time while they preside part-time over the collection of taxes. A classic case of the foxes guarding the chicken-coop!

The general issue of IRS 'reform' is of considerable material interest to corporate America. At present a full one-third of the $180 billion a year collected in corporate taxes stems from IRS audits. One of the central aims of the tax agency reform campaign is to see to it that billions of those dollars remain in corporate coffers in the future.

While engaged in a project they claimed would help the 'average' taxpayer, the Republicans and Democrats included in the bill a new tax cut for the wealthy. The bill reduces the period of time an investor must hold stocks, bonds and certain other types of investment from 18 months to one year to qualify for the most favorable capital gains tax rate of 20 percent. This

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amounts to additional billions of dollars in the bank accounts of the rich.

The most privileged Americans are already getting away with murder when it comes to paying taxes. The IRS reported in April that about 2,400 of the richest Americans paid no federal income taxes in 1993, the most recent year for which figures are available. (An oversight board dominated by corporate executives might very well decide that such reporting is inappropriate and unfair.) In 1977, according to the IRS, only 85 such individuals and couples escaped taxes. Over the next 20 years the number of US citizens making $200,000 or more increased 15 times; the number of people in that category avoiding taxes grew almost twice as fast. Another 18,000 in the group making $200,000 or more paid less than 5 percent of their income in taxes.

The passage of the IRS reform bill will set the stage for further efforts to dismantle what little remains of the progressive income tax. Prominent Republicans such as Rep. Dick Armey of Texas and would-be presidential candidate Steve Forbes are leading the campaign for a 'flat tax,' that is, a tax where billionaires and millionaires would pay at the same rate as everyone else. This is described as introducing 'fairness' into the system. Armey and company point to the complexity of the tax code, which Congress itself has created, and present a flat tax as a 'simplification' of the process. It would be even simpler if the rich were not asked to pay taxes at all.

A genuine reform of the tax system would require a radical shifting of priorities. It would mean reducing the rate for middle-income and low-income families and individuals and progressively increasing the tax burden on big business and the wealthy. Such a reform would end the fraud and evasion that is widespread at present and remove the innumerable loopholes that make it possible for the financial elite to pay little or no taxes. No such reform can be expected from the two big business parties or the Clinton White House.

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