

OPINION

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Most High Income Tax Cheats Don't Get Caught

A cosmic tax gap

BY SAM PIZZIGATI

The folks working for the federal government can do some incredible things.

Over at NASA, for instance, they're now putting the finishing touches on the new James Webb Space Telescope — an instrument The Washington Post says will be powerful enough “to capture the heat signature of a bumblebee on the moon.”

Amazing. We can now spot a bug in space.

So why can't we spot people who cheat on their taxes right here in the US of A?

A great many people, the IRS says in a new report, are stiffing Uncle Sam. Our federal “tax gap” — the disconnect between what taxpayers owe and what they eventually pay — is now averaging \$406 billion a year.

That eye-opening figure comes from the 17 percent of taxpayers who misreport their income and underpay their taxes.

The other side of the coin is that 83 percent of Americans are pay-



ing their taxes, in full and on time. If you make a typical American income, you almost definitely fall within this 83 percent.

Actually, you don't have much choice. All wage and salary income — the overwhelming bulk of the income average Americans receive — gets automatically reported to the IRS and faces automatic withholding from your paycheck.

Under this system, notes the new study, only 1 percent of overall paycheck income goes under- or unreported.

But some Americans — the nation's most affluent — don't make their money from wages and salaries. They get the bulk of their income instead from business profits, rents, and the money they make buying and selling assets.

Most of this income doesn't get automatically reported, so few of these dollars ever face any withholding at all.

That wouldn't matter all that much if the IRS had plenty of agents out in the field doing in-depth audits. But the IRS has been losing staff. The tax agency had 50,400 full-time-equivalent en-

forcement staff available in 2010. The 2016 figure: only 38,800.

With fewer watchdogs on the job, almost a fifth of individual tax due on capital gains and “partnership” income is going uncollected. An even higher share of rents, royalties, and “proprietor” income — nearly two-thirds — is escaping taxes.

went through earlier IRS raw data and did just that.

Americans who make between \$500,000 and \$1 million a year, these two researchers found, misreport their income at triple the rate of taxpayers making between \$30,000 and \$50,000, and well over double the rate of taxpayers making \$50,000 to \$100,000.

The rich engaging in this cheating do get nabbed sometimes. This May, for example, a federal judge found that Texas tycoon Sam Wyly engaged in “deceptive and fraudulent actions” to avoid taxes on over \$1 billion of his assets.

But the Sam Wylys remain outliers. Most high-income tax cheats don't get caught. And that won't

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How much of this tax cheating involves big-time business people and how much involves mom-and-pop business operators? The IRS doesn't say. The agency doesn't break down the new tax evasion data by taxpayer income class.

But eight years ago, economists Andrew Johns and Joel Slemrod

One key point to keep in mind here: We're not talking about loopholes in the tax code when we talk about the “tax gap.” Loopholes let the deep-pocket set legally sidestep what otherwise would be a significantly higher tax bill. The IRS tax gap numbers only apply to outright illegal tax cheating.

change until Congress starts subjecting the incomes of the awesomely affluent to the same reporting and withholding standards that apply to the incomes of average Americans.

Sam Pizzigati is an Institute for Policy Studies associate fellow. Distributed by otherwords.org.

Running for Election was an Amazing Experience

Proud of what we accomplished

BY ROBERTA PHILLIP-ROBBINS

As most of you know I suspended my campaign on Friday (May 20) when it became clear that while the outcome of the race is still very close,



the tide is turning in Tawna Sanchez's direction.

While we did not get the outcome we wanted, I am proud of what we accomplished.

I am grateful to each and every one of you for joining me in this race. Together we built a grassroots campaign with hundreds of volunteers, supporters,

old friends, new friends, and my family.

To my husband, CJ; my daughter, Nina; my mom, my dad, and my siblings, thank you for your love and support.

I want to congratulate Tawna for a spirited contest. She deeply loves this community and has dedicated many years to improving the lives of young people and families.

In November, I launched this campaign for House District 43 because I want to help every Oregonian thrive. I want to address the challenges facing our community, including lack of affordable housing, creating more family-wage jobs, prioritizing education, and protecting the environment.

With your incredible support, we knocked on thousands of doors, walked hundreds of miles

in the district, and called thousands more to learn about the issues that matter to them.

I am grateful to the neighbors who opened their homes to me and shared what would help make their lives better.

Campaigns such as this one are full of sacrifices. Missed meals with family, long days, and late nights on the phone.

Perhaps my greatest sacrifice came a couple of weeks ago when I had to resign from my position at Multnomah County in order to continue with this race because of a law prohibiting certain types of public employees from running for office.

There are already enough barriers for working people, we must address the policies that make it difficult for public employees to run and serve.

My work for our community is not done, and I look forward to my next chapter.

Again, thank you for all of your support. It means the world to me and my family.

Roberta Phillip-Robbins was a candidate in the May 17 Primary for state representative in House District 43 of inner north and northeast Portland.

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