



RIP

**Your on the
Street Reporter**



Uyless Black

A Taxing Tax Refund

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Hello from Your on the Street Reporter, who is investigating the Dickensonian labyrinths of government bureaucracies. Last week I struck-up a conversation with a chap at the local bar. Here is his sad story, as told to the bartender and me.

This taxpayer had filed his tax return on time for the 2011 tax year, which indicated he and his family were to receive a refund of several thousand dollars. About one year after the submittal, the IRS Identity Verification Service sent a letter to this citizen. The letter informed the taxpayer--who has used the same address and name for many years---that he must have his address and name verified before his 2011 return could be processed.

What could have prompted the IRS go through this overhead? The verification program was not just for this one person, but for many taxpayers. It translated into thousands of labor-hours expended by federal civil servants. In these post 9/11 days, the IRS---likely after its auditing loins were spurred by America's intelligence and security bureaucracies---suspected that terrorists might have taken over the home address of this citizen, kidnapped his identity, and stolen the keys to his mail box. The IRS cannot be too careful about where it sends its tax refunds. A refund here, a refund there; before the IRS knows it, these cumulative tax refunds mailed out to uncoordinated citizens across the nation could magically coagulate into a coordinated weapon of mass destruction.

There is also the possibility that given the wasteful manner in which U.S government spends money, the IRS was short of cash. Congress long ago abandoned any pretense of fiscal responsibility, such as keeping social security funds protected from looting by another agency...typically a congressman's favored agency. The Department of Building Useless Local Airports in Specific Congressional Districts may have borrowed some money from the IRS. The empty airport may not have had a plane touch-down to collect a landing fee (except for the congressman's plane). I joke about this scandal, but I do not joke about its existence.

Anyway, as we were sitting in the bar, it was now May of 2014, over two years since the man filed the tax return. Paper work flows slowly in some organizations. Apparently, it was not flowing at all for this citizen.

I offered the thought that receiving a tax refund carries good and bad news, "The good news is getting back hard-earned money. The bad news is not making enough money to offset the expenses of making hard-earned money. Ha." He ignored my attempt at ironic humor, ordered another beer, and continued with his story.

He said he was upset about giving an interest-free loan to Uncle Sam, who in turn gave food stamps to dead-beats using his grocery money. (For the remainder of the conversation, I made sure my food stamps were well hidden.) The bartender chimed in with, "I suppose your family got a bit anxious, what with being used to eating and all." We were doing our best to look at a light side of his situation, but to no avail.

Sidebar One

The three of us detoured into a sidebar (at the same bar): Why is the IRS allowed to charge interest to its citizens for money owed to Uncle Sam, but will not pay interest to its citizens for money due to Citizen Sam? These sorts of asymmetrical relationships lead to citizen grass-roots uprisings and the tendency not to file a tax return.

A few months ago, the citizen enquired once again about his tax return: (a) checking an IRS website and (b) dialing an IRS toll-free number. The citizen was informed by the web page and voice mail that both avenues of communication were “staffed 24 hours a day.” I offered the idea that the software at the 24-hour “staffed” website might be losing sleep, but my geek-like witticism went unacknowledged.

Still later, the taxpayer dialed the telephone number once more to “converse” with a recorded voice. After explaining his problem to the recording, he received a response: “It is being processed.”

He took a deep swallow of his brew and continued his tale of woe. Last December he was running short of yuletide present-giving-money, not to mention yuletide cheer. He once again queried the IRS website. He was now informed he could not “be verified online.” However, he was given a HOT LINE number, one that would surely respond to his enquiry about a tax refund that may have been archived deep within the recesses of the IRS. The citizen took heart: A hot line number. Surely, the IRS cared!

Ordering another beer, he continued with his saga. “I dialed the hot line number. Wouldn’t you know, it was another recording! And I was not even allowed to make my plea; it took no messages from callers.” The citizen was denied a hot IRS response because he was an ordinary citizen, one without a special identifier to tag him as a registered tax return specialist. Thus, the hot line was available exclusively to a person the citizen had to hire; an individual or company who had been sanctified by the IRS to use the hot line. He even sent two faxes to the IRS with a call-back fax number but received no response to either fax.

After this reverse-tax-dodger mentioned the fax fiasco, the bartender said, “Did you try mail? You never know.” He was not happy with the barkeep’s advice. He had tried telephone, email, and fax, all without success. The process was slow enough already, why bother with snail mail?

Last month the citizen received this tax refund, from which he bought me a beer. And to cut some slack to the IRS, the organization was shut down because of Congressional ineptitude, brought on by ideological lassitude. (But the shutdown was a few weeks, not months or years.) Cutting more slack, I have had nothing but efficient and friendly service from this organization. I’ve been paper-audited but with courtesy and reasonableness. So, what gives? Is the IRS understaffed?

Something is seriously amiss when an American citizen cannot find a way to communicate in a meaningful way with the nation’s tax collector. The loss of faith is a first step to the loss of compliance.

Sidebar Two

I came across a saying that I jotted down in my notebook a few years ago. It is not exact but conveys this idea: *The success of government rests on force and faith.*¹

Citizens often fear tax collectors, even the citizens who file their returns accurately. The IRS has immense power at its disposal, but this power can be greatly diminished, even thwarted, if citizens do not have faith in how this agency (or any governmental body) fulfills its charter. The idea of an American citizen having no way to interact with its federal tax agency is akin to a third-world country's bureaucracy.

To add insult to injury, the citizen was billed by the tax return specialist who had access to the federal tax system and its more-than-taxing apparatus. He told the bartender and me that the bill would have covered a week of partying at the bar we were sitting in. In the spirit of the conversation, I ordered another beer.

The citizen readjusted his withholding taxes on his Social Security check to prevent another two-year-delay for an interest-free payment on a debt, and to avoid the clueless rudeness of being denied a citizen "hot line." He reduced his withholding taxes to Uncle Sam to avoid likely many hours of effort in the future to lobby for his rightful due.

A Pause that Depresses

This tax refund gives him the "privilege" of depositing his money into a bank account in which the interest paid on the money is less than the national inflation rate. This latter dispensation is granted to those who borrow, with the associated condescension from Uncle Sam toward citizens who save. Uncle Sam's monetary policy props up financial institutions and the stock market by forcing savers to abandon secure savings accounts because they are losing money in relation to their cost of living. Where can they possibly put their money to get a return greater than America's inflation rate? Maybe the stock market, at least it offers hope. Stockbrokers have never had it so good.

Sidebar Three

For decades, the United States government has been urging American citizens to save, save, save. The media has predicted that doom awaits the U.S. because of its debt-ridden citizenry. Yet when the chips are down, Uncle Sam says he must look at the big picture of macro-America. The little picture of the "micro-citizen" must be held in check until the big banks are once again paying their staff, including low-level employees, tens of thousands of dollars in annual bonuses.

The citizen and I called it an afternoon. As I was leaving, I overheard an incoming customer tell the bartender, "I've just been to the county tax office. They raised the taxes on my home, and it's still underwater from the last meltdown. Give me a double!"

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¹ The closest I could find about the originator of this simple yet profound thought was written by Nicolas Berdyaev, *The Destiny of Man*, 2.4.6, 1931.