



Zanetti Monday Missive 2022.04.18 Tax Day

““The difference between death and taxes is death doesn't get worse every time Congress meets.”

~ Will Rogers

"The only thing that hurts more than paying an income tax is not having to pay an income tax."

~ Thomas Dewar

Happy Tax Day!

I was thinking a lot about death and taxes this weekend. Yes, as George Bernard Shaw says, the two certainties we can all count on.

Regarding death, we had a beautiful family funeral this weekend with family and friends coming in to celebrate a life well-lived.

And since April 15th landed on Good Friday and the start of Passover this year, tax filing day was extended to the 18th.

That got me thinking about the relationship between us Americans and taxes.

I'm sure you all know that our country was formed around fighting against taxes. The Boston Tea Party was a protest on unfair taxation without government representation.

After our independence was won, Americans were doggedly opposed to paying taxes. But how did our government operate without taxes? Well, citizens did pay taxes, but they were mostly in the form of property and different types of sales taxes. We hadn't established an income tax.

Then the Civil War happened and the government needed money to fight the war. And they needed A LOT of money! That's when the United States first started two things that changed the course of our tax history:

1. The Income Tax
2. The Office of the Commissioner of Internal Revenue – the precursor to the IRS

The government got better at collecting taxes from the American people and then in 1913 the Federal Income Tax that we all *know and love* was established. That was ratified in the 16th Amendment just in time to pay for our role in World War I.

As you can see war is expensive and creates a reason for our Government to establish new taxes. When there's a war new taxes are usually close behind.

Well, we just concluded the War in Afghanistan – America's longest

war (2001-2021). What a disaster that conclusion was, eh? We picked up and left so quickly that we left massive amounts of military weapons and infrastructure for the Taliban to takeover. We also shattered trust that had been established with our allies in that region.

Now, within months we are participating in another War – the Russian invasion of Ukraine.

While this isn't *OUR* war yet – and hopefully it will not become so – it is one we are politically interested in. As are our European allies. And just because our military isn't actively engaged in the combat, doesn't mean we don't have equipment and personnel being deployed. And it also doesn't mean that this war is NOT expensive for the United States.

For the last several years, when things got expensive for the US (as in our costs exceeded our income) what did our government do? They didn't raise taxes, they just printed more money.

And where has that gotten us? Massive inflation... the highest it's been in over 40 years! You may have read last week that it's now up to 8.5% (and that's with the bogus calculation the Federal Reserve is now using versus the calculation they used 40 years ago).

They might reverse their current position of reducing our printing (i.e. Quantitative Tightening) and start printing again, but if they do I think it will be a mistake that will quickly be reversed.

So, what can they do? Raising taxes isn't too popular but we'll definitely hear politicians yelling that we need to "tax the rich." A la Alexandria Ocasio-Cortez. But when only 53% of Americans currently pay income tax, they're going to have to increase that percentage if they really want to make an impact on covering our expenses.

I don't want to assume that the US government is going to raise our taxes, but at the same time I wouldn't be surprised if they did. And in the meantime, that's why it's important to build up your investments and for us to invest your money wisely so that you make money and not lose money. Our goal is to help you be better prepared for your financial future, whatever it may hold.

Your If-Elon-Musk-Takes-Over-Twitter-Maybe-Then-I-Can-Understand-It Financial Advisor,

Walt

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