

April 11, 2015

Honorable Senators:

I am writing regarding the public input for tax reform.

- 1) I would make dividends currently reported on Form 1040 Ln 9a nontaxable income as this income has already been taxed at the corporate level.
- 2) Depreciation claimed on Sch C, E, and F and Form 4835 should be calculated using the straight line method of depreciation. There should not be multiple choices of depreciation methods for simplicity purposes. Bonus depreciation and Internal Revenue Code Section 179 should be eliminated as this allows people to get out of paying tax and allows them to be able to manipulate earned income credit.
- 3) Form 1040 Ln 20 Social security benefits should not be taxable. The \$\$ contributed by the taxpayer to social security are after-tax \$\$ much like the current Roth IRA and therefore any earnings above the amount contributed should be returned as tax-free dollars.
- 4) Form 1040 Ln 23 Educator expenses should be eliminated as it favors one special interest group.
- 5) Form 1040 Ln 30 Penalty on early withdrawal of savings should not be an allowable deduction because most of the time fines and penalties are not deductible, except this one.
- 6) Form 1040 Ln 32 should not be subject to phase-out. Our government is encouraging saving \$\$ for retirement, yet favors one income level to the detriment of another. The Form 1040 Ln 51 Retirement savers credit should be eliminated as it favors one income level over another as well.
- 7) Form 1040 Ln 33 Student loan interest deduction should not be subject to phase out limits due to simplification. We encourage higher education yet limit the deductibility of the cost of this higher education. Form 1040 Ln 34 Tuition and Fees. Eliminate Form 8917 as we already have the American Opportunity Credit and the Lifetime Learning Credits. The credits should not be subject to phase outs nor split between non-refundable and refundable credits. They should only be non-refundable credits. If a person's tax is -0-, why should they get \$\$ back.
- 8) Eliminate the Form 1040 Ln 35 Domestic production activities deduction. The calculation is not easy and is specific to businesses. It never used to be there at all.
- 9) Form 1040 Ln 52 Child Tax Credit for children under age 17 should be eliminated with a higher amount given for the personal exemption. Simplification is accomplished by this. If this credit is left in the tax code, it should not be subject to phase outs nor should part of it be a refundable credit. Zero tax is enough.
- 10) Medical deductions on the Sch A should not have two limitations due to age, ie 7 ½% or 10% of AGI. The deduction should start immediately not after a reduction.
- 11) On Sch A eliminate the deductions for Ln 7 Personal property taxes and Ln 8 Other taxes and Ln 12 Points and Ln 13 Mortgage insurance premiums and Ln 14 Investment interest. This would reduce the number of deductions for simplicity purposes.
- 12) On Sch A Ln 26, the 2% reduction for Misc Deductions should be eliminated for simplification and fairness to all taxpayers.
- 13) Eliminate phase outs of Sch A deductions and also personal exemptions due to high levels of income to keep it equal for all.
- 14) Eliminate the deduction for gambling losses on Sch A. It encourages the un-healthy activity of gambling and fraudulent reporting.

Thank you for your attention to my concerns.

Sincerely,
Rick D. Waterbury, CPA
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