



ARE YOU AN INFORMED OR UNINFORMED TAXPAYER?

There is no time of the year when affluent Americans feel more tax-pain than in the month of April. Even if we file extensions to prolong the inevitable, it is still the April 15 deadline that ominously looms over us. Most affluent families are “contributing” between twenty-five to forty percent of their annual income to the Federal Government, a non-profit organization that none of us are really all that excited to support.

I like what the entertainer Arthur Godfrey said, “I’m proud to pay taxes in the United States; the only thing is, I could be just as proud for half the money.” And to that I think we would all say, “Amen.” The income and capital gains taxes that are annually extracted from us are not even half of the total tax pain we will ultimately experience. If you are reading this, likely your worst tax bill of all may still be coming.

I recently met with an affluent Christian woman whose very wealthy parents had both eternally relocated that year. Even with the supposed planning of all of their professional advisors, the family was now facing millions of dollars in estate taxes and had very little cash in the estate with which to pay this huge tax bill. As one daughter said, “Mom and Dad have left things in a mess.” The estate tax bill is always the biggest pain of all, albeit felt only by those who are left behind.

Back in 1935, U. S. Appeals Court Justice, Learned Hand, made this now well-known statement, “In America there are two tax systems, one for the informed and one for the uninformed. Both systems are legal.” Uninformed taxpayers reluctantly turn over vastly greater portions of their resources to the federal government than they need. Judge Hand goes on to say, “Anyone may arrange his affairs so that his taxes shall be as low as possible; he is not bound to choose that pattern which best pays the treasury.” There is not even a patriotic duty to increase one’s taxes. Over and over again, the courts have said that there is nothing sinister in arranging affairs as to keep taxes as low as possible. Everyone does it, rich and poor alike, and all do right, for nobody owes any public duty to pay more than the law demands.

U.S. Supreme Court Justice, Louis D. Brandeis, uses a simple illustration to point out our options as taxpayers. He wrote,

I live in Alexandria, Virginia. Near the Supreme Court Chambers is a toll bridge across the Potomac. When in a rush, I pay the dollar toll and get home early. However, I usually drive outside the downtown section of the city and cross the Potomac on a free bridge. This bridge was placed outside the downtown Washington, D.C. area to serve as a useful social service, getting drivers to drive the extra mile in helping to alleviate congestion during the rush hour. If I went over the toll bridge and through the barrier without paying the toll, I would be committing tax evasion. If however, I drive the extra mile outside the city of Washington to the free bridge, I am using a legitimate, logical, and

suitable method of tax avoidance, and I am performing a useful social service by doing so. For my tax evasion, I should be punished. For my tax avoidance, I should be commended. The tragedy of life today is that so few people know that the free bridge even exists.

His last line is the killer: “The tragedy of life today is that so few people know that the free bridge even exists.” You see, informed taxpayers know that capital gains and estate taxes are *optional* and there are “free bridges” they can travel that will allow them to legally avoid them. The informed taxpayer also knows that even though income taxes cannot be eliminated entirely, there are a number of legal and creative planning strategies that will allow them to minimize their annual income tax bill.

Christian families should become informed taxpayers—avoiding all capital gains and estate taxes and paying as little as they possibly can in annual income taxes, so they will have more for themselves, more for their heirs, and more for the Kingdom of God, though not necessarily in that order. Jesus told us to *...render to Caesar the things that are Caesar's; and to God the things that are God's* (Matthew 22:21). Paul adds, *Render to all what is due them: tax to whom tax is due; custom to whom custom...* (Roman 13:7). In other words, “if taxes are due, pay them.” That is the right thing to do. However, only pay “*what is due*,” and not any more. If we are going to be as *shrewd [clever] as serpents and innocent [honest] as doves* (Matthew 10:16), we need to become informed taxpayers who will never needlessly relinquish one penny more of God's money to our government in taxes than we absolutely must. How are you handling the material prosperity that God has so graciously entrusted to you? I hope you are managing it well as an informed taxpayer and a good and faithful steward.

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Jay Link spent 35 years counseling Christian families to build customized Master Stewardship Plans. He is an author, a mentor to hundreds of financial advisors and attorneys, and started his career as a pastor. His passion is helping Christian families use all the Lord has entrusted to them for Kingdom-building purposes.