

**"... the IRS's worst nightmare."** —*The New York Daily News*

**JEFF A. SCHNEPPER'S**  
**28th Edition**

**2011**  
**Edition**

# HOW TO PAY ZERO TAXES<sup>TM</sup>

**Everything  
You Need to  
Know to Benefit  
from the New  
2010 Tax  
Laws**

**Your Guide to Every Tax Break the IRS Allows!**

**HUNDREDS OF TIPS AND TECHNIQUES TO PRESERVE YOUR INCOME THROUGH  
EXCLUSIONS, CREDITS, DEDUCTIONS, SHELTERS, AND SMART INVESTMENTS!**

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*—From a Declaration of Principles jointly adopted by a Committee of the  
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This book is printed on acid-free paper.

*This book is normally dedicated to my mogul,  
Barbara, who taught me how to love, and to  
my children, Brandy, Joshua, Allison, Mario, and Jonelle,  
who gave me five more reasons why.*

*If I had the choice of doing it all over  
again, I would begin by loving you again.*

*Also normally dedicated to the memory  
of Frisco T. D. Schnepfer, Tiger T. C. Schnepfer,  
and to Fred and Bruno, who now give me paws,*

**BUT**

*Forget it, guys . . . This one's  
for my Bianca Rose Conlin,  
and her brothers Drew Ethan Conlin and Tyler Evan Conlin,  
who redefined my universe!*

# Preface

*“Our income tax system is overly complex. It distorts investment decisions and encourages people to put money into schemes to reduce their tax bills instead of into enterprises to create jobs and help our economy grow.”*

BILL BRADLEY, New Jersey senator (1984)

*“The words of such an act as the Income Tax . . . merely dance before my eyes in a meaningless procession: cross-reference, exception upon exception—couched in abstract terms that offer no handle to seize hold of—leave in my mind only a confused sense of some vitally important, but successfully concealed, purport, which it is my duty to extract, but which is within my power, if at all, only after the most inordinate expenditure of time. I know that these monsters are the result of fabulous industry and ingenuity, plugging up this hole and casting out the net, against all possible evasion; yet at times I cannot help recalling a saying of William James about certain passages of Hegel: that they were, no doubt, written with a passion of rationality; but that one cannot help wondering whether to the reader they have any significance save that the words are strung together with syntactical correctness....”*

JUDGE LEARNED HAND, Thomas Walter  
Swan, 57 Yale L.J. 167, 169 [1947].

## SHAMEFUL!

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Because of publication deadlines, this book is being written prior to the 2010 elections. Unfortunately, our Congressional representatives refused to pass appropriate legislation in a timely manner. Senator Olympia Snowe (R-Maine) hit the nail on the head when she said, “It’s all political theater. It’s not about legislating anymore. It’s all for the next election that’s coming very shortly.”

The following is what I expect to happen.

**Estate Tax:** I expect an exclusion of \$3.5 million for 2010 and 2011 phasing up to \$5 million with a return to a full step up in basis. I expect the maximum rates to phase downward from 45 percent to 35 percent. I suspect that the law will be retroactive to 2010 but that the estates of those who died prior to passage will be allowed an option to use the zero estate tax rules that were then applicable, with their limited basis step up.

**Income Tax:** I’m optimistic here. I expect that all the normal extenders such as the above-the-line deduction for teachers, the itemized deduction for sales taxes, and so on to be extended once more. I also expect that the Bush tax cuts scheduled to expire this year also will be reinstated for taxpayers with adjusted gross income of \$200,000 or less (\$250,000 on a joint return). For those making more, the cuts will be gone. There will also be a 1-year fix for the alternative minimum tax (AMT). Otherwise, the AMT will hit 27 million very unhappy taxpayers when they file their 2010 returns. By the time you read this, you’ll know how close I was. Otherwise . . .

## WHAT’S NEW THIS YEAR

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2010 was a great year for tax preparers. Congress “solved” any and all economic and social problems with multiple changes in the tax code while shamefully delaying any action on the estate tax and tax extenders by playing politics rather than providing clear and long-term rules for playing the tax game. But, we had fun:

- It’s become harder and harder to reach executive level in government service if you actually pay your taxes. New York Congressional representative Charlie Rangel was forced to resign as Chairman of the House Ways and Means Committee, which writes all our tax rules, because he couldn’t follow them. I guess anybody could forget to report \$75,000 in rental income.
- Lael Brainard was nominated and approved to be undersecretary for international affairs despite late real estate tax payments, questionable home

office deductions, late unemployment insurance payments for household employees, and questions as to their legal work status.

- You didn't have to be a senior executive to be bad. IRS employee Lattice Murray pleaded guilty to stealing cash and mail addressed to the IRS facility where she worked.
- IRS revenue officer Albert Bront threatened to kill tax agents who investigated his fraudulent returns and was hit with a 16-count indictment.
- IRS employee Colette Browne was charged with filing 32 fraudulent returns and embezzling over \$100,000.
- While it helps, being on the government teat wasn't a prerequisite for cheating on your taxes. In April 2010, the Department of Justice and the IRS announced fraud charges against 26 New York City tax preparers.

And then there were the "successes" of the Internal Revenue Service itself:

- A report by the Treasury Inspector General for Tax Administration (TIGTA) found that errors in the Modernized e-Filing system limited its utility and caused it to erroneously reject tax returns. The \$78 million MeF Release 6.1 was deployed in February 2010 and subsequently rejected 23 percent of the electronic returns filed.
- The TIGTA in July 2010 found security weaknesses in IRS contractors which placed "confidential information at risk of unauthorized access and disclosure."
- The IRS also failed to expeditiously process paper checks resulting in the loss of thousands of dollars in interest for the agency.
- The TIGTA also found \$20 million in erroneous credits issued by the IRS under the Making Work Pay program.
- Then there was another \$20 million in erroneous refunds issued to nearly 14,000 taxpayers as a result of dishonored and bounced checks for payments.
- Then our tax masters failed to make timely and appropriate lien determinations on more than \$1.4 billion in delinquent taxes.
- IRS oversight could have been more focused. At least 130 companies that received federal funds under the Troubled Asset Relief Program (TARP)

owed taxes totaling \$530.8 million at the time they received government funding.

- The IRS didn't do much better with home buyer credits. A TIGTA study reported \$636 million in bogus claims, including 500 people under age 18 and one "home buyer" only four years old. One hundred IRS employees filed dubious claims, and 256 filers took the credit for homes at just five addresses. That's your tax dollars at work with a computer system that won't work!
- Putting perpetrators in jail didn't appear to work. 1,295 prison inmates, including more than 200 serving life sentences, received \$9.1 million in fraudulent home buyer tax credits. One home was used by 67 inmates to claim credits.
- Taxpayer security is still an issue. The Government Accounting Office (GAO) found control and processing weaknesses that "continue to jeopardize the confidentiality, integrity, and availability of financial and sensitive taxpayer information."

But, there was some good news:

- Laura Schultz, a house cleaner in the Denver area, received an erroneous \$122,783 tax refund. Being honest, she voided the check and returned it to the IRS. Being a government agency, the IRS then billed her for \$80 in taxes owed.
- IRS Commissioner Douglas Shulman revealed that nine out of ten taxpayers use either a tax preparer or third party software to complete their tax returns. Well, that's good news if you're a tax preparer or sell software.
- The IRS has established a global high wealth industry division to make sure high wealth taxpayers pay their share. These "wealth squads" will go after taxes on income from high net worth individuals regardless of its source or country of origin.
- I think the Tax Court got this one right: William C. Naylor, Jr., set up a foundation to store his sperm and, in conjunction with a sperm bank, distribute it to recipients of his choice. The Tax Court found that the foundation "did not promote health for the community" and denied the foundation status as a tax-exempt organization.

## 2009 WAS FINE

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I'm beginning to understand now. The tax code *is* the Holy Grail—the answer to all our social and economic problems. If we have a problem, it can be solved through the tax code. Need to sell more cars? Simple! Make the sales tax on their purchase deductible, even for those taking the standard deduction, and create a “clunkers credit.” But, then again, the government does own General Motors, doesn't it?

Still, I stand by my argument. Your house went down in value? Stimulate the real estate market by making real estate taxes on a principal residence deductible, again, even for those taking the standard deduction.

Oil prices getting too high again? Stimulate “green” energy alternatives with credits that reduce your taxes on a dollar-for-dollar basis.

On June 11, 2009, Rep. Carolyn Maloney (D-NY) introduced a bill that would give an employer a 50 percent tax credit on up to \$10,000 for “qualified breastfeeding promotion and support expenditures.” Talk about milking the system.

You can't say 2009 was a quiet year taxwise.

The Internal Revenue Service released a Taxpayer Attitude Survey on February 2, 2009, which found that 89 percent of Americans think it unacceptable for people to cheat on their taxes. The other 11 percent appear to be headed for the president's cabinet. President Obama's pick to lead the Department of Health and Human Services, former Senate Majority Leader Tom Daschle, apologized for owing \$140,000 in back taxes and interest. In 1998, he was quoted as saying, “Make no mistake, tax cheaters cheat us all and the IRS should enforce our laws to the letter.” The president's selection for the first Chief Performance Officer for the federal government, Nancy Killefer, failed to pay tax on her household help. Both had the good graces to withdraw from consideration. And then there was Ron Kirk, nominated to be the U.S. trade representative. He “forgot” to report \$37,000 in speaking fees assigned to a charity, but he managed to remember taking a deduction for \$7,500 of the donation. And then there was \$7,400 in pro basketball tickets without a business purpose.

Cheating on his taxes didn't deter Timothy Geithner from becoming Treasury Secretary. His taxes were found to be underpaid in 2001, 2002, 2004 and 2005. (Nobody looked at 2003?) But then again, who better to put in charge of the IRS than someone who requests a ruling on the law and then ignores it? But, he did pay up, when caught.

Talking about the law, surprise, it changed again! The year started with the American Recovery and Reinvestment Act of 2009 passed on February 17. That was just the beginning. The details of these and other changes, and how to respond to their opportunities, are found in Chapter 21.



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## GOT STIMULATED IN 2008

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Rebate, rebate, rebate!

That's all we heard in 2008. Once again Congress, in its infinite wisdom, decided that you could be trusted to spend your own money and spent many millions of your dollars to send some back to you—to stimulate the economy. The IRS estimated that the reallocation of hundreds of IRS collection staff members to answering taxpayer telephone calls about the stimulus payments alone would result in up to \$565 million in foregone enforcement revenue. According to the Treasury Inspector General for Tax Administration, calculations of the economic stimulus payments by the IRS may have been wrong in nearly 400,000 cases. More than 100,000 self-employed taxpayers received larger checks than they were entitled to and 25,000 clergy members didn't get the rebates owed to them. The details of this give-back are covered in Chapter 20 as part of the Economic Stimulus Act of 2008.

Chapter 20 also discusses the tax aspects of three more tax law changes—both 2008's Housing Stimulus Bill and the Hero's Earnings Assistance and Relief Act, as well as the Mortgage Debt Relief Act of 2007, which was passed and signed into law on December 20, 2007. We also had the Emergency Economic Stabilization Act in October 2008 in response to our economic and financial meltdown.

Because of the last minute changes in the law, more than 3 million and as many as 13.5 million taxpayers in 2008 were unable to even file their returns until February 11 because the forms were wrong—*again!* Let's not even think about the cost to update and correct all the tax preparation programs and educate the public. As noted by National Taxpayer Advocate Nina Olson, "When taxpayers do not claim tax benefits because they do not know about them, Congress's intent in providing the tax benefits is undermined and taxpayers understandably question the fairness of the tax system." She was referring to the last minute 2006 changes that resulted in 1.4 million fewer claims for deductions that were extended but weren't even on the forms that finally went out to confused taxpayers.

The IRS computer system remains a mess. The IRS still lacks adequate procedures to identify identify theft victims or adequate systems to even determine the number of tax-related identity thefts that occur. From 2002 to 2006, identity theft related to refund fraud rose by 396 percent, while employment related identity theft increased by 129 percent. Call 800-908-4490 if you have an identity theft issue.

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## 2007 SUCKED BLOOD

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I guess the IRS is a great training ground. First they want your money; now they want your blood! Former IRS Commissioner Mark W. Everson left

that position in April 2007 to head the American Red Cross. In July, his successor, Kevin M. Brown, declared that he too was leaving the IRS to serve as chief operating officer for the American Red Cross. Unfortunately, Mr. Everson was caught in a tryst with one of his employees and the Red Cross wrote him off.

In December 2006, Congress passed an extenders package that gave renewed life to the research and development credits, deductions for college tuition, above-the-line deductions for teacher expenses, and the sales tax deduction. Unfortunately, the 2006 tax forms had already been printed *without* these changes. The IRS incurred additional costs of \$410,000 for printing and \$1.3 million for postage for the new sales tax tables alone.

In 2007, the IRS eliminated the telefile program, a free telephone filing service. It had been used by about 2 million taxpayers in 2005. Half of those reverted to filing paper tax returns, slowing the refund process and increasing IRS processing costs. Those who paid tax preparers or purchased software spent nearly \$24 million to file their taxes in 2006.

The Treasury Inspector General for Tax Administration revealed that of the 106 million refunds totaling \$228 billion issued by the IRS to individual taxpayers in 2004, taxpayers voluntarily returned approximately 51,000 refunds totaling \$302 million. The report estimated that about half of those errors were due to IRS mistakes!

It's a good thing the former IRS commissioner was a computer expert. In five weeks to April 13, 2007, the IRS sent upward of \$300,000 worth of one time \$30 federal telephone tax refunds to a single JPMorgan Chase Bank account in Ohio. Personally, I would have called first. . . .

2007 was a tough year all around. More than 450,000 federal workers and retirees were revealed to owe the IRS a whopping \$3 billion in back taxes. You didn't have to work for the government to get in trouble. More than 125 Jackson Hewitt tax preparation branches run by five franchises of the company were shut down for preparing fraudulent returns. That cost the government \$70 million in lost revenue. Even Joseph Francis, the creator of *Girls Gone Wild*, was indicted for tax evasion!

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## 2006 WAS NO PICNIC

DUH! Somebody give them a calendar. On May 17, **2006**, President Bush signed a tax bill into law. Its technical name is the Tax Increase Prevention and Reconciliation Act of **2005**! Maybe Congress was so impressed with corporate crooks back-dating options that it thought back-dating laws could generate back-dated votes?

We'll talk about what opportunities and traps that law offers in a later chapter.

The IRS building in Washington, D.C. was closed by a flood costing \$13 million. It's almost Biblical, isn't it? But, rather than wetting the bottoms of bureaucrats who are only struggling to do an impossible job, I suspect the flood was really a warning to those across the street in the Capitol who create the devilish complexity we call the tax law.

The General Accounting Office reported that the *lowest* available estimate of the cost of complying with federal tax code is \$107 billion—a whopping 1 percent of the nation's gross domestic product. In January 2009, National Taxpayer Advocate Nina Olson pegged the cost at \$193 billion a year, 14 percent of the total taxes collected.

In 1969, the total number of pages of federal tax rules was 19,500. By 2009, it had increased to 70,320. Back in 1913, it was only 400 pages.

In 2006, the General Accounting Office visited alleged tax preparers at 19 outlets affiliated with major tax preparation chains. They were not happy with the results of their test returns. Nearly all of the returns were prepared incorrectly and were accompanied by “very bad tax advice.” Errors ranged from incorrect refunds of almost \$2,000 to a liability of \$1,500.

Is the tax law complicated? H&R Block, the country's largest tax preparer, blew its own tax liability by \$32 million! Couldn't it find someone to help with its taxes?

How about General Electric? In May 2006, it filed a 24,000-page tax return with the IRS.

By 2008, 62 percent of Americans were using professionals do their tax returns. In 2006, that included three of the four senior lawmakers on the Senate Finance and House Ways and Means Committees, the panels charged with writing our tax law. Another 22 percent purchased tax software. By 2010, 90 percent of the tax returns done were prepared by professionals or with computer software. Our code ain't simple!

## **A National Disgrace**

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I had a dream last night. I'd died and was taken by the devil down below to suffer my eternal torment. After all, I was an attorney. But, I couldn't believe my eyes. The place was a frozen wasteland, with huge mountains of ice and snow.

I was amazed. Congress had actually passed a *simple* tax law that helped taxpayers!

Then, I woke up. And I woke up mad!

Is the only difference between our government and the Mafia that the Mafia is organized?

If con is the opposite of pro, is Congress the opposite of progress?

Who was the prophetic visionary who designed all the streets in Washington, D.C. to go in circles?

Is *anybody* in charge here?

## Our Tax Code

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Our tax code is a disgrace! Thousands of words dancing without rhythm or connection, failing to make a point. As a tax attorney, I'm embarrassed.

According to former Treasury Secretary Paul O'Neill, "... the complexity of our Tax Code is the worst problem facing our society..." Paul doesn't spend a lot of time in hospitals or hang with the homeless. But, I feel his pain.

I'm not the only one who's embarrassed. Rep. Steny Hoyer (D-MD), House Democratic Whip, saw it the same way. "Our tax system is an embarrassment that treats many taxpayers unfairly." His view on the code was no less frank. "The Internal Revenue Code is a Kafkaesque maze of complexity that confounds millions of Americans every single year."

To make sure we don't ever understand the code, Congress changes it each year. We've had over 44 *major* tax law changes in the last 47 years! Remember, it was Albert Einstein who said, "The hardest thing in the world to understand is the income tax." And, he said that way before it became a whopping 70,320 page, 25-volume beast.

Here are some numbers directly from the IRS. The average taxpayer who files a Form 1040 needs 21.4 hours. Add a single rental property or a Schedule C for your business and the hours jump to 31.9.

We spend more than 7.6 billion hours and over \$193 billion each year complying with the tax code—just to figure out what we owe. That's more hours than are used to build every car, van, truck, and airplane manufactured in America. That's just your time.

Our government wants your money as well. According to the Tax Foundation, the average taxpayer had to work 99 days, until April 9, 2010, in order to

earn enough to cover his federal, state, and local tax burden. They call it “Tax Freedom Day.” I call it “Get Out of My Pocket Day.”

## **The Tax Code Is Driving Me Nuts!**

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The tax code is driving me nuts! I’ve got two law degrees and an MBA in finance. I’m licensed by the New Jersey Board of CPAs. I’ve taught taxation for over two decades, both on an undergraduate and a graduate level. And I still have no idea what they’re talking about half the time!

It’s been claimed that the only difference between death and taxes is that death, on occasion, is allegedly painless. Wrong! Death doesn’t become more complicated every time Congress meets.

Remember the Tax Foundation? If the average middle-income taxpayer’s 2010 salary, starting from January 1, went to pay taxes, it would have taken 100 percent of the earnings until April 9 to meet all the federal, state, and local payments due. That’s about one-third of the year, 99 days, or about 2 hours and 10 minutes of each eight hours’ earnings. In comparison, in 1930 it was only 57 seconds.

Here’s some more of the stuff making me crazy:

- On average, Americans now spend more time working to pay their taxes than they spend working to provide food and shelter combined.
- Presidential candidate John F. Kerry illegally shaved \$12,000 off of his tax on his 2003 return. He sold a piece of art and reported the gain at the new lower 15 percent rate. But, the profit on the sale of the art, as a collectible, should have been taxed at a 28 percent rate. If the nominee of the Democratic Party for president, with 57 Heinz varieties of tax lawyers and CPAs, got it wrong, what can the IRS expect from the rest of us?
- The IRS audit rate for 2005 was 0.93 percent, up from 2004’s 0.77 percent, up from 0.65 percent in 2003, and 0.57 percent in 2002. But who cares if they’re auditing the wrong people? The percentage of no change audits grew from 14 percent in fiscal 2001 to 18 percent in 2003, a significant increase and a waste of time and resources. Why? Easy. Their formulas for selecting returns were way out of date. They hadn’t been revised since the late 1980s. The IRS has updated its numbers. The data will be reflected in IRS audit selection in 2006.
- The fiscal 2006 numbers are in, with an increase from 0.93 percent to a

whopping 0.98 percent. For fiscal 2007, it grew to 1.03 percent and then dropped to 1.01 percent in 2008. In fiscal 2009, it rose to 1.03 percent. I'm not impressed.

But, are they "real" audits? According to Senator Max Baucus (Mont.) on April 29, 2004, "I'm concerned that the IRS's audit priorities are misplaced. . . . IRS is trying to bolster its audit figures, not by going after those who are deliberately trying to cheat on their taxes, but by sending out more letters regarding mathematical errors or mismatching of taxpayer information."

One Treasury Inspector General for Tax Administration's report showed taxpayers received *incorrect* answers to 43 percent of tax questions asked in a special study. The investigators concluded that about 500,000 taxpayers who visited Internal Revenue Service help centers got wrong or incomplete responses!

Our tax code is just too complex. Even the IRS agrees. Former Commissioner Mark Everson has remarked that "Frequent changes to the tax code and rising complexity are perhaps the greatest obstacles to reducing paperwork burden. . . . I am concerned that tax law complexity may discourage taxpayers and adversely impact voluntary self-assessment that is at the heart of our tax system."

Responding to a report of IRS employees incorrectly preparing 19 of 23 tax returns in a December 2003 survey, Everson replied, "Whatever you can do to simplify the code would really help us."

Guess what Commish? It would help the rest of us as well. If the code is too complex for the IRS and Jeff Schnepfer, how about those of us who aren't supposed to be tax experts?!

But, let's not jump on the IRS. They don't write the code. It's those brain surgeons we send to Congress who have created this mess. In 1986, I was invited to the White House to consult on the proposed Tax Reform Act. I suggested that it include a provision requiring all members of Congress to do their own tax returns. I also suggested that all elections be held on April 16. Both my suggestions were rejected.

Since 1986, over 14,000 amendments were made to the U.S. tax code—that's about three for each working day, and that doesn't include the 2010 changes!

As I said up front, the tax code is driving me nuts. But, let's see if I can add some sanity to your financial life. Tax planning is not for the timid. The laws are constantly changing and you have to keep up to minimize your tax liability.

You have to know the rules. That's what *How to Pay Zero Taxes* is for. If you don't know the rules, you can't win the game.

According to Jerold Rochwald, "Nuclear physics is much easier than tax law. It's rational and always works the same way."

Ninety-three and one-half million Americans got tax refund checks in 2001, averaging \$1,719. In 2002, 95.1 million taxpayers received an average refund of \$1,967—proof that too much tax was taken from their checks. In 2003, the average refund was \$1,988. In 2004, it jumped to \$2,081, \$2,171 in 2005, and it exploded to \$2,237 for 2006, \$2,309 for 2007, \$2,400 for 2008, and \$2,683 for 2009. The total refunded for 2009 was over \$259 billion owed to 96.7 million taxpayers. That's a huge, interest-free loan to the IRS.

The source of this nightmare—the Internal Revenue Code—is a quagmire so complicated that former Treasury Secretary Paul O'Neill disdains it as "... not worthy of an advanced society."

Back on June 7, 2001, President Bush signed The Economic Growth and Tax Relief Reconciliation Act of 2001, the biggest tax act since 1986. It changed 441 code sections.

That Tax Act expanded benefits for education savings, increased limits for retirement savings, reduced individual income tax rates, promised relief from the marriage tax, and phased out and repealed the estate tax over the next decade. Changes will be implemented over 10 years and then, in 2011, the rules magically revert to pre-Tax Act law!

I call it the *Dallas Tax Act*, named for the television program that, after a full season of shows, decided "never mind" and concluded that the last 52 weeks were nothing but a dream. For those of you who remember the *Bob Newhart* shows, I look forward to waking up with Suzanne Pleshette.

Chapter 15 of this year's *How to Pay Zero Taxes* will detail the provisions of that law, and how you can best plan to minimize your tax and maximize your wealth under the new rules. With provisions being phased in over 10 years, the annual process of tax planning becomes even more important. The rules change every year, and if you don't know the current law, you can't successfully play the game.

Did you blink? Then maybe you missed the Job Creation and Worker Assistance Act of 2002, signed into law by President Bush on March 9, 2002. Chapter 16 of this year's *How to Pay Zero Taxes* will detail the opportunities presented by this law.

Then we had the Jobs and Growth Tax Relief Reconciliation Act of 2003. We then had two 2004 Tax Acts—the Working Family Relief Act of 2004 and the American Jobs Creation Act of 2004—which alone included 580 amendments to the code. Hurricane Katrina blew in several changes in 2005. Then in May 2006, we had the Tax Increase Prevention and Reconciliation Act of 2005 (dah!)

**Tax Freedom Day, Selected Years, 1930–2010**

<b>Year</b>	<b>Tax Freedom Day</b>
1930	February 12
1940	March 7
1950	March 31
1960	April 11
1970	April 19
1975	April 17
1980	April 21*
1981	April 24
1982	April 22
1983	April 18
1984	April 17
1985	April 18
1986	April 19
1987	April 22
1988	April 21
1989	April 22
1990	April 21*
1991	April 21*
1992	April 20*
1993	April 21*
1994	April 23*
1995	April 24*
1996	April 26*
1997	April 28*
1998	April 30*
1999	May 1*
2000	May 3*
2001	April 30*
2002	April 19*
2003	April 16*
2004	April 17*
2005	April 23*
2006	April 26
2007	April 27
2008	April 21
2009	April 8*
2010	April 9

\*Revised.



followed by the Pension Protection Act of 2006. “At least they got the year right!” In December 2006, Congress snuck in the Tax Relief and Health Care Act of 2006. The details and opportunities of these law changes and those made in 2007, 2008, 2009, and 2010 are found throughout the book.

Even former IRS officials find the tax code confusing. “No, I don’t do my own return,” says Randolph Thrower, a former IRS commissioner. “It’s much too complicated for me.” In 1954, our tax code and related material fit into 14,000 pages in 9 volumes. By 1984, it was 26,300 pages in 14 volumes. By 2002, it grew to 52,310 pages in 25 volumes. As of 2009, it had grown to 70,320 pages and more than 3.7 million words! By 2010, it was even worse. Congress passed several tax law changes detailed in Chapter 22. So much for tax simplification . . .

This 2011 edition of *How to Pay Zero Taxes* will detail the new tax law changes, the hidden secrets of our tax code, and how you can take advantage of them to keep more of your hard-earned dollars.

According to the Tax Foundation, the United States passed a depressing milestone back in fiscal 1995. Total tax collections exceeded \$2 trillion for the first time. That’s a two and 12 zeros.

It is April 15, 2011, and the IRS is after your money again. To protect your hard-earned dollars, first turn to the new 2011 edition of *How to Pay Zero Taxes*. It contains all of the new laws, rules, regulations, and court cases to legally minimize your tax outlay. Remember, your objective should be to pay all of the taxes that are due, but not one penny more than the law requires. The law, however, is complicated, convoluted, and constantly changing. The new edition of *How to Pay Zero Taxes* is your guide through the minefield of these changes.

Over two decades ago, on October 22, 1986, former President Reagan signed a sweeping revision of the tax code that touched the lives of all American taxpayers. The text of the Tax Reform Act of 1986 bulked 10 inches and weighed more than 33 pounds; it detailed changes in 2,704,000 subsections of the tax code, which cost the Internal Revenue Service an estimated \$106,485,000 in fiscal year 1988 to implement. The act dramatically cut tax rates and paid for this decline by eliminating or reducing a vast array of tax breaks. The American tax structure for 2010 is vastly different from that in the past and will be different again in 2011.

Taxes have been likened to a plague of locusts on a field of wheat. Yet there are several individuals earning millions of dollars who pay little or no taxes and many more who earn hundreds of thousands of dollars each year whose tax bill is just as small. For the year 1998, filed in 1999, 2,085,211 individual tax returns were filed showing income of \$200,000 or more. Of those, 0.07 percent, or about 1,467 returns, showed *no* U.S. tax liability. For 1999, filed in 2000, 1,605 returns