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Dear IRS, I'm Moving To Mali Where You Pick Your Own Tax Rate. Let's See, 3% Or 30%?

With April 15 approaching, identity theft refund fraud running rampant, [TurboTax problems](#), [phishing](#), an IRS that still can't [find all those emails](#), and utter confusion about Obamacare taxes, [filing taxes this year](#) isn't what it used to be. Gone are the good old days when tax filing was just miserable!

So Dear IRS, guess what? I'm off to Mali. That's where the [BBC](#) says you pay tax at either 3% or 30%, your choice. Mali may have drawbacks, but it's [the country where you can choose your tax rate](#)! Maybe, we could learn a thing or two from the Malinese (or is that Malinburgers, since Malinese sounds like a chicken dish). Actually, a nice gentleman in Mali just emailed me that they are malians.



Americans love to talk about taxes and progressive rates. You can't get much more progressive than 3 to 30%. The inveterate BBC reporter says she was offered a choice between two income tax regimens, 30% or 3%. She picked 3%, as would we all. Turns out the 3% rate has to be approved. A certain officious official does that with a kind of professional flourish.

The 30% rate, it turns out, is a kind of teaser. It makes people think they are getting a good deal when they end up at 3%. How happy then they are to pay! You have to admit it's interesting psychology. In contrast, our IRS just says everything is taxed.

If you sell unwanted clothes, cars, furniture, even family heirlooms, they are taxed. If you get paid to baby sit for your neighbor, take a friend to the airport or water your uncle's garden, it's income. Suppose you trade favors and don't swap cash? IRS says each of you is taxed at the market value of the goods or services. Even swapping tickets of even value can trigger tax.

And remember, they got Al Capone for tax evasion, not murder. Gambling winnings are taxed too. If you hit the jackpot or win the lottery, it's all taxed. Even a Nobel Prize is taxed. If you buy raffle tickets and win a car, the cash value of the car is taxed.

Tips on the job? [IRS taxes tips](#) just like everything else. Small perks in the workplace aren't taxed, but these days the IRS is looking at benefits too big to let go. Silicon Valley meal benefits could be next.

When you borrow money, you don't have income because you have to pay it back. But if the lender forgives it, you have COD, short for "cancellation of debt." When a debt you owe is canceled or discharged, the tax code treats the wiped out debt as cash income to you. Say you owe \$500,000 to the bank, but the bank forgives it. It's as if the bank just handed you \$500,000 and Uncle Sam wants his cut.

Lawsuit recoveries are usually taxed too. It may *seem* like you are just getting damages so aren't being enriched, but they are usually taxed. One big exception is physical injury recoveries. But even there, punitive damages and interest are taxed. Sometimes, if you [win a lawsuit, you have to pay the IRS—even on your attorney's fees](#).

Even cash or valuables you *find* are taxed. In [Cesarini v. United States](#), a man bought a used piano for \$15 and found \$5,000 in cash inside. When the IRS said it was taxable, Mr. Cesarini went to court. He lost, and the treasure trove tax hit happens to others too. In 2013, an anonymous couple found [\\$10 million in rare gold coins](#) buried in cans on their property. It was the biggest and best coin discovery in U.S. history.

And it was taxed. Seems like almost *everything* is. Now, doesn't that 3% in Mali sound tempting?

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