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### Reagan's Law Redux?



In [1981](#), President Reagan revolutionized our federal income tax system by cutting rates and expanding the tax base, freeing up capital. Having embarked on my tax lawyer career in 1979, it was my first major post-law school tax bill. There would be many others. Most notably, in [1986](#), Mr.

Reagan and Congress did it again with even more sweeping changes, ones we now see as pivotal 25 years later. See [General Explanation of the Tax Reform Act of 1986](#).

Of the myriad changes made in 1986, most were good. Some were not. The changes seemed fundamental when passed in 1986 and even more so today. The top tax rate was lowered from 50% to 28%. But with less publicity, the bottom rate was raised from 11% to 15%.

#### **Special Report: 25 Years After Tax Reform, What Comes Next?**

Even in 1986, there were the revenue estimators, a Ouija board-wielding job that is key to tax legislation. The [Tax Reform Act of 1986](#) was supposed to be revenue neutral, decreasing individual taxes yet increasing corporate ones. Although there has been major tax legislation dozens of times since then, there has been no equal to this massive overhaul in the 25 years since.

The 1986 law drastically reduced the number of deductions and tax brackets, seeing simplification itself a goal worth achieving. Yet the law also paved the way for problems that grip our tax system today, chief among them the [AMT](#).

When enacted in 1969, the AMT targeted tax shelters used by a few wealthy households. The 1986 reform unleashed the AMT in ways aimed at virtually every kind of deduction. Indeed, for all the good the 1986 Act did, the grasping hand of the AMT arguably took away what the other hand gave. The AMT today lacks theory and equity and cries out for repeal.

And lest the [AMT](#) be viewed as something affecting only fat cats, statistics show otherwise. See [Will Everyone Pay AMT Next Year?](#) Some people who have won lawsuits and paid their contingent fee lawyers have actually lost money after tax by “winning” a suit. See [Spina v. Forest Preserve District of Cook County](#) and [Supreme Court Attorney Fees Decision Leaves Much Unresolved](#).

The culprit? America’s tax system. See [AMT Problems For Attorney Fees Remain](#). And that is just one example. If Cain’s 9-9-9 tax plan is pilloried, Perry could erect his own Alamo around a flat tax too. See [Perry Takes Up Flat-Tax Banner](#). There are many examples of lack of equity, lack of common sense, and hyper-complexity. Reform in some form surely seems needed.

For more, see:

[A Plan for the Uber-Rich](#)

[The Plan Needs to Be Recalibrated](#)

[A Serious Proposal. Worth Studying](#)

[Ronald Reagan, the original class warrior?](#)

[’9-9-9’ Isn’t a Flat Tax](#)

[The Tax Reform Act of 1986: Should We Do It Again?](#)

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