POTTSTOWN CITIZENS FOR
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LEADERSHIP

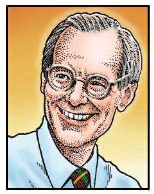
Should income tax returns be public?

In recent weeks, I've discussed the huge disparities in wealth worldwide and in the United States.

Last week, I published a chart showing that more than a quarter of the households in the 19464 and 19465 zip codes earn more than $100,000, and scores of households receive $1 million or more in annual income. Of course, this is all anonymous data.

Pennsylvania's Right-to-Know law makes the earnings of all public employees, from the governor to your local elementary school janitor, public information.

On my website, I publish the salaries of all Pottstown borough and school district employees as obtained through Right-To-Know requests.



Commentary by Tom Hylton

But shouldn't everyone's income tax return, or at least a summary of it, be a public document?

Government at all levels requires money to operate, and every citizen is expected to pay his fair share. Income taxes are a major revenue source for both states and the federal government, so why shouldn't individual payments be made public?

This isn't as radical as it sounds.

Tax returns were public documents when Congress first created the federal income tax in 1861. They remained public until the income tax was allowed to expire 10 years later.

In 1924, the new federal Revenue Act required public disclosure of both individual and corporate income tax payments. A staunch proponent of the act, Republican Senator Robert Howell of Nebraska, argued that "… the power of great wealth and its encroachments upon our institutions is the chief menace that confronts us today." Secrecy, he said, was "the greatest aid to corruption." (More than 90 years later, it doesn't sound like anything's changed.)

Newspapers such as the New York Times promptly published the names and tax payments of prominent citizens and corporations, including some who paid no taxes at all. President Calvin Coolidge and Treasury Secretary Andrew Mellon were not amused and helped persuade Congress to change the law in 1926 to limit disclosure to the names and addresses of taxpayers only.

Although the vast majority of countries keep tax returns secret, three perennial champions of equality and good government – Norway, Sweden, and Finland -- have a long tradition of making individual income tax information public.

Here in the United States, federal and state governments implement a hodgepodge of practices that make some tax payments public, but not others.

The federal tax returns of non-profits and private foundations are required by law to be public. (They can be found on the Internet.) These returns must report the compensation of their top employees. That's how I know, for example, that in the 2015-2016 fiscal year, Reading Hospital CEO Clint Matthews earned $2.1 million in IRS 1099 compensation and $378,784 in other compensation.

The compensation of high ranking officers of public companies is required by federal securities laws to be public information. That's how we know the highest paid CEO in America last year was Hock E. Tan, who was paid $103.2 million by Broadcom, a California semiconductor technology company.

We also know how much every property owner pays each year to his school district, county, and local municipal government. Most counties — including Chester, Montgomery, and Berks — publish easily searchable information on the assessed value of each property, the most recent sales price, and whether the property is taxable or tax exempt.

Today, the need for transparency is greater than ever. Trust in government is at a historic low, according to the Pew Research Center. In 1958, when the first national survey was conducted, 73 percent of Americans said they could trust the federal government "just about always" or "most of the time." Subsequent surveys show trust has been mostly falling ever since, reaching a low of 18 percent last December.

Privacy is important. But when it comes to paying the government's bills, we should all show how much we're contributing. Making everything open helps ensure we all pay our fair share.