

The Republicans, who have been unable to reform healthcare, are turning their attention to tax reform. No one knows what a final tax bill will look like, or even if a bill will eventually become a law. However, I was happy to see that when Donald Trump released broad guidelines for tax reform, his plan nearly doubled the standard income deduction for a married couple, changing it from \$12,700 to \$24,000.

A higher standard deduction offers two big advantages. First, more people will find it worthwhile to take the standard deduction, and these people will find that they can spend a lot less time filling out their taxes. In the years that I have itemized my deductions, it took me several additional hours to fill out my tax forms. I had to research how to fill out the forms and what expenses I could count as itemized deductions. I also spent a significant amount of time keeping records. Most people who itemize their deductions have a similar experience. The high standard deduction in Trump's proposal will cause many people, including myself, to forgo itemizing our deductions. We will be able to put our time to other productive pursuits. Some people will work more, and others will find worthwhile leisurely pursuits. In either case, people will be doing something that everyone can agree is an activity vastly preferable to filling out tax forms.

In a similar vein, consider people who currently pay accountants to calculate their taxes — because they do not have the time or the expertise to properly itemize their deductions. With the high standard deduction, many of these people will find that they do not need to itemize their deductions. Because tax compliance will become easier for those who switch to using the standard deduction, these people will no longer have to pay for an accountant. These people will surely find good uses for the money they save.

The higher standard deductions offers a second big advantage. When the standard deduction was low, many people would itemize. These people would make decisions simply to avoid taxes. They might have taken out loans to buy property — in part to take advantage of the interest deduction available when they itemized. These people may have traveled for business in part to take advantage of the deduction. The problem with this set up is that people are making decisions simply to avoid paying taxes. When the standard deduction is drastically increased, many people who use to itemize will find it advantageous to simply take the standard deduction. Now these people will make decisions based of their beliefs about how the money can be best spent.

In short, a tax reform that increases the standard deduction will leave many people with more time or more of their own money. It will also encourage them to apply money to its most productive use rather than encouraging them to make expenditures in a way that reduces their tax burdens.

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