

# The Devil's Dictionary of Taxation

by Billy Hamilton



Ambrose Bierce was an American journalist, short-story writer, and satirist. Born in 1842, he lived into the 20<sup>th</sup> century. He is perhaps best remembered for his dyspeptic, though often amusing, views on life. Those views, along with his biting literary criticism, earned him the nickname “Bitter

Bierce.” Today he is best known for his short story “An Occurrence at Owl Creek Bridge,” in which a soldier enjoys a joyous — and illusory — reunion with his wife in the moment of being hanged from the aforementioned bridge. His other great work is his satirical dictionary, *The Devil's Dictionary*, the starting point for today's column.

In *The Devil's Dictionary*, Bierce provided a long list of caustic and clever definitions of familiar words. The origin of the *Dictionary* is normally dated to 1881 for the good reason that that was when Bierce said it began. However, some early versions of the idea turned up in his writing as far back as the years immediately following the Civil War, when his original notion was to demonstrate how Noah Webster could have used humor to improve his famous dictionary.

Bierce continued to use the idea periodically in columns for a number of years, but it wasn't until 1881 that he first used the title “The Devil's Dictionary.” He was editing and writing for a San Francisco magazine, *The Wasp*, at the time. The dictionary became a popular feature, and during his employment at *The Wasp*, Bierce wrote 88 installments, each featuring 15-20 new definitions. In 1887 Bierce changed jobs, becoming editor of *The Examiner*, and he revisited the idea yet again under the title “The Cynic's Dictionary.” After a pause of several years, he resumed writing dictionary entries in 1904, writing the final entry in 1906. Eventually, the definitions were collected into a single volume and published, first in Bierce's collected works and later under the title *The Devil's Dictionary*. An updated and expanded version appeared in 1967 and featured 851 entries.

To give you a sense of the material in the *Dictionary*, here are several random entries:

**Conservative:** A statesman who is enamored of existing evils, as distinguished from the Liberal, who wishes to replace them with others.

**Corporation:** An ingenious device for obtaining individual profit without individual responsibility.

**Love:** A temporary insanity curable by marriage.

**Vote:** The instrument and symbol of a free-man's power to make a fool of himself and a wreck of his country.

You get the picture. In 1913 Bierce traveled to Mexico to gain a firsthand perspective on that country's revolution. While traveling with rebel troops, he disappeared without a trace. No one has ever figured out what happened to him. You can see one version of what might have happened, purely speculative, in the 1989 movie *Old Gringo*, which featured Gregory Peck, Jane Fonda, and, inexplicably, Jimmy Smits. In the meantime, *The Devil's Dictionary* has lived on, inspiring several imitations. There's *Devil's Dictionary X*, which is more sexually explicit than the original but not as amusing. Other examples include *The Computer Contradictionary* and *Lucifer's Lexicon*.

So, what, you may ask, does this have to do with taxes, our *raison d'être*? Well, nothing, which is exactly the point. Having read through *The Devil's Dictionary* and *Devil's Dictionary X*, I was amazed to realize that in all the arch cynicism, nothing dealt with taxes. Bierce at least had the excuse of living in a period when taxes were fairly minimal, and my guess is that the editor of *Devil's Dictionary X* has other, more salacious, things on his mind. Thus, it is for that reason I have temporarily assumed Bierce's mantle and composed an addition to the canon. I am not as droll or caustic as Bierce, but then again, he isn't coming back from Mexico to write his own tax definitions. All I can say is that I hope the same fate doesn't befall me.

Here are my definitions. I also offer readers the challenge to come up with better definitions or additional words. I stopped a long way short of Bierce's 851 entries.

**Ability to Pay:** One of two widely held principles of fair taxation, the other being that the other person's ability to pay is far greater than your own and should be so recognized.

**Adjusted Gross Income:** The largish pile of your money that, like a fish, will soon be netted, gutted, pan-fried, and thereby rendered far less gross.

**Admissions Tax:** A small disappointment on the way to the larger disappointment of whatever it is you are being admitted to see —particularly appropriate when applied to games involving sports teams you support.

**Alcoholic Beverage Taxes:** The wages of gin.

**AMT:** An acronym frequently confused with ATM. One dispenses money; the other takes it. I can't recall which is which. It is a serious character flaw remedied only by TurboTax.

**Apportionment:** Dividing up the spoils geographically.

**Benefit Principle:** The theory by which you are charged for something for which you already thought you had paid taxes. It is a product of the 18<sup>th</sup> century and like that other product commonly used in the 18<sup>th</sup> century, the guillotine, it is a tool of egalitarianism and an excellent method for cutting a governmental problem down to size.

**Budget:** 1. A plan designed to make a series of political calculations look systematic and thoughtful. 2. Large visions writ small. 3. Governments budget; God laughs.

**Business Taxes:** A tax on people passed through a middleman, usually with extra handling charges.

**Capital Gains Tax:** 1. A tax on the few good uses to which you have put your money since you outgrew baseball cards. 2. Circa 2008: An obsolete concept.

**Charitable Deduction:** Among faith, hope, and charity, the only one of the three theological virtues that can also help you avoid rendering unto Caesar.

**Circuit Breaker:** A mostly fruitless way to avoid a property tax revolt, because the only circuits that get broken are the circuits of people who are unlikely to revolt anyway.

**Consumption Taxes:** 1. Taxation based on the theory that people are predictable in what they covet. 2. A tax theory favored by the wealthy because they do most of their consuming elsewhere.

**Earmark:** From the old farm practice of putting distinctive notches in the ears of livestock to mark ownership. In government, used mainly to mark pork.

**Economic Development Incentives:** An all-purpose excuse for the legalized theft of public funds; also bribery.

**Economic Forecast:** 1. A weather forecast for economies and correct about as often. 2. A wild guess dignified by mathematics.



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*The dictionary devil.*

**Elasticity of Supply and Demand:** An economic principle based on the idea, often repudiated in practice, that people are paying attention.

**Estate and Gift Taxes:** Government's effort to support the old adage that you can't take it with you, lately rendered obsolete by federal law.

**Excess Burden:** The economic consequence of any tax I have to pay.

**Excise:** "A hateful tax on commodities," according to Samuel Johnson, and generally imposed on the commodities people like the best.

**Fairness:** 1. A concept of taxation that is, like beauty, mostly in the eye of the beholder. 2. The fundamental requirement of a good tax system, and a concept best appreciated by those who manage to exclude themselves from that to which the question of fairness applies. 3. An imaginary creature not found in nature, like fairies but less photogenic. "Whoever hopes a faultless tax to see, hopes what ne'er was, is not, and ne'er shall be." — Alexander Pope

**Federalism** 1. A system of government designed by the Founders to parcel out power between a central authority and constituent political units; in modern usage, a system by which constituent units are required to do whatever it is the central authority doesn't care to do. 2. Love among proper strangers.

**Fee:** 1. A tax in drag. 2. A ruse used to collect funds to pay for public services from those who know the price of everything and the value of nothing. (Apologies to Oscar Wilde.)

**Fine:** A tax for doing something wrong, or at least for being unwise enough to get caught.

**Fiscal Disparities:** An economist's way of saying that some states and localities are worth more than others.

**Fiscal Federalism:** 1. A governmental system in which responsibility, but not money, like fecal material, rolls downhill. 2. Mostly a sham or mostly harmless — where you stand depends on where you sit.

**Fiscal Notes:** A detailed, often exaggerated, description of a legislative proposal prepared by government analysts to aid in legislative decision-making. It mixes fact, fiction, hope, wild guesses, and idle speculation in about equal measure.

**Flat Tax:** 1. A tax alleged to be so simple it can be filed on a postcard, thus removing all the fun and benefit of developing tax expertise and therefore rendering the concept all but impossible to enact. 2. An effort by the well-to-do to shift the burden of taxes to the middle and lower classes, where it doubtlessly belongs because they don't have enough sense to become rich so they can afford their own accountants.

**Fuel Tax:** A method for adding insult to injury.

**Future:** The period of time in which all tax proposals work as advertised.

**Gambling Taxation:** A politically popular form of taxation based on the idea that a fool and his money are soon parted, and that government, therefore, should get a piece of the action while it can.

**Gross Receipts Tax:** 1. An increasingly popular form of business taxation created by people who, according to John Mikesell, weren't paying attention in their public finance classes. 2. A tax concept that eliminates the need to think about other annoying and confusing tax concepts like ability to pay or benefits received.

**Head Tax:** 1. A tax levied in a fixed amount on individuals regardless of economic or other circumstances. 2. A now obsolete approach to taxation, having proven to be too brazen for governments that don't have an immediate say in the disposition of their subjects' heads. (See Regressivity.)

**Homeowner's Exemption:** State and local programs that offer cold comfort to people who are about to lose their homes to creditors.

**Horizontal Equity:** A principle of tax fairness that provides that similarly situated people or businesses should pay similar amounts of tax unless one has a better lobbyist or tax accountant than the other. The concept is rendered inoperative when economic development incentives are involved. (See Economic Development Incentive.)

**Incidence:** The analysis and measurement of who has lost the game of musical tax chairs.

**Income Tax:** 1. A tax levied on the income of individuals and businesses and only made bearable by the fact that the alternative — the absence of income — is worse. 2. The hardest thing in the world to understand, according to Albert Einstein. Replaces the previously hardest thing in the world to understand, the opposite sex.

**Infrastructure Funding:** Paying for the things you run into, skid off of, or fall from. Usually underfunded, which accounts for the relatively low death rates.

**Intangibles:** Things that can't be perceived by the senses and are therefore unlikely to be taxed successfully.

**Intergovernmental Grants:** Abstract expression meaning "joke."

**Itemized Deductions:** Creative fiction writing for people who normally prefer to shop or watch television.

**Lottery:** See Gambling Taxes.

**Multistate Tax Commission:** A group made up of states whose primary mission is to be a thorn in the side of the body corporate.

**Nexus:** 1. A point of connection between a taxpayer and a state sufficient to allow the imposition of tax. 2. The smoking gun in any tax story.

**Occam's Razor:** A principle that states, in essence, that all other things being equal, the simplest solution is the best. That principle has no known application in state tax policy.

**Progressivity:** Currently unfashionable notion that those with more money should pay more for government services.

**Property Tax:** 1. A tax that makes the unrealized capital gains from your home manifest. 2. A low, mean-spirited, and politically dangerous form of taxation, demonstrated by the fact that it has been ceded by the federal and state governments to localities. (See Fiscal Federalism.)

**Proposition 13:** A self-inflicted gunshot wound to the head of the state of California that, while not proving fatal, inexplicably proved contagious.

**Rainy Day Fund:** 1. The Mom's cookie jar of state finances, the location of which is readily known to everyone in the family. 2. The often faulty umbrella of state financial planning.

**Referendum:** 1. Submitting proposed legislation to a popular vote to demonstrate the utter confusion

of public opinion. 2. A form of government decision-making that nullifies the point of representative democracy and enriches those who package and sell bad ideas to the masses.

**Regressivity:** A form of taxation that imposes a greater burden on the poor than the rich, meaning it applies to almost all state and local taxes and fees.

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**Revenue Estimating:** 1. An endeavor undertaken by government to project future income for budgeting purposes, the only certainty of which is that the projection will be wrong. 2. The art and practice of selling one's credibility for future delivery.

**Sales Tax:** A tax on final consumption of goods and services that is distinguished primarily by hair-splitting; e.g., nonflavored bottled water is not taxable, but if it's flavored, it's taxable — unless it contains at least 25 percent juice, in which case it's not. And don't get me started on the differences in taxability between cookies and candy.

**Sick Tax:** A descriptive term for any tax on healthcare professionals (that is, doctors) that is detrimental to their fiscal health and that is normally cured by a large dose of whining.

**Sin Taxes:** Taxation based on the theory that people are predictable in their vices.

**Starve the Beast:** A philosophical approach to government in which the government is deprived of revenue to carry out its basic functions so that when it fails to carry out those functions because of underfunding, it provides evidence of its ineffectiveness, thus warranting further cuts in funding.

**Taxes:** Vernacularly considered to be one of the two inescapable certainties of life, the other being death. The primary distinction between the two is that lawmakers don't meet every year to make death worse. (In Margaret Mitchell's *Gone With the Wind*, they are linked to a third life event, childbirth, all seen in that case as being painful and inconvenient.)

**Tax Administrators:** 1. The wretched of the earth. 2. Typically, people who would rather have been appointed director of the economic development department except for the unfortunate impediment of their accounting degree; less frequently, a career tax nudge who is near retirement age.

**Tax Avoidance:** The desire among some people and businesses to keep that which many meritorious governments wish to obtain. (See Tax Evasion.)

**Tax Capacity:** Like quantum physics, an attempt to render mathematically something that is unobservable and therefore fundamentally unknow-

able — in this case, how much money a state tax system could raise if lawmakers really set their minds to it. Quantitatively, per capita Tax Capacity =  $[\Sigma(\text{RTR} \times \text{TB})] / \text{Pop}$ , where RTR is the representative tax rate average for all states levying a tax, and TB is an individual state's actual tax base. That calculation, for each state tax, is summed ( $\Sigma$ ) and divided by Pop, the state's population. The only thing missing from the computation is P, standing for Politics. Since P is the Heisenberg Uncertainty Principle of state taxation, it provides a theoretical basis to explain why the tax capacity computation is an interesting, but inaccurate, representation of reality and why the U.S. Advisory Commission on Intergovernmental Relations no longer exists.

**Tax Competition:** A circular race among states and localities in which there is no ultimate winner but in which all participants may declare themselves to be the leader at any given moment.

**Tax Controversy:** A battle involving taxes in which spittle and ink replace the injurious cannonball and the inconsiderate bayonet. (Apologies to Ambrose Bierce.)

**Tax Equity:** Simply stated: Who pays what tax and how much? Typically measured based on different income levels. In reality, tax equity is the anti-matter of tax inequity, which, according to popular opinion, is the most common element in the universe, having surpassed hydrogen in most people's minds.

**Tax Evasion:** An illegal and intentional action taken by individuals or businesses to reduce their tax burden. Tax evasion is separated from tax avoidance by the thickness of a prison wall. (Old joke.)

**Tax Expenditures:** Government spending by other means. Often used to encourage taxpayers to engage in some types of behavior, such as making political contributions.

**Tax Limitations:** Constitutional or statutory limits on the level of tax proceeds a government may spend, the observance of which inevitably proves inconvenient, thus leading to the construction of complex legal devices that perform the simple task of allowing available revenues to be spent but in indirect, convoluted ways. (See Proposition 13.)

**Tax Reform: 1. A form of tax change that mostly satisfies those who oppose reformation. 2. Normally, a compromise between the minimally beneficial and the marginally preposterous.**

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**Tax Theory Versus Tax Practice:** Tax theory is when you think you know something but it doesn't work. Tax practice is when something works but you don't know why. Typically, governments combine theory and practice so that nothing works and no one knows why.

**Tobacco Taxes:** Taxes based on the idea that smokers are too guilty to complain about higher taxes except to each other while they are outside smoking.

**Value Added Tax:** 1. A wholly imaginary tax created to give tax reform committees something to

think about instead of the uncomfortable realities of their state's tax system. 2. The sasquatch of state taxes. Believed by some to have existed at one time in a remote region near the Great Lakes. Even if that were true, it is long since extinct. ☆

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