

How financial advisers would reform the tax code

They yearn for simplification, AMT repeal and other sweeping changes

By **Mark Schoeff Jr.** | *April 3, 2015 - 11:32 am EST*

Investment advisers want one thing above all others when it comes to tax reform: a streamlined tax code that makes it easier to understand and use.

"The number one thing is simplicity," said Lisa A.K. Kirchenbauer, president of Omega Wealth Management. "It's getting harder and harder to do taxes."

The various rules surrounding deductions and phase outs of different benefits create a "labyrinth of moving parts" that complicate tax planning, said Jim McCarthy, managing director of Directional Wealth Management.

"You change one thing and it triggers something else two steps down the road," he said. "It feeds on itself."

They share something in common with the head of the IRS.

A bigger concern than the inheritance levy among advisers and their clients is the alternative minimum tax. Implemented as a parallel tax system that aims to prevent the wealthy from shirking their share of the national tax bill, the complicated AMT formula frustrates advisers and their clients.

“The repeal of the AMT would be a real priority,” said Michael Rosenberg, managing partner of Diversified Investment Insights. “Let's live by one rule book and only one rule book. We need to make the laws and rules easy to understand for everybody.”

The taxation of capital gains and dividends also is a sore point for advisers. Mr. Rosenberg would like to see the dividend tax eliminated because corporations already pay a tax on their profits before issuing dividends to shareholders — so-called double taxation.

Getting rid of the levy also would help older clients who rely on dividends for income.

“It would make it easier for the person living on a fixed income,” he said. “It would be a little bit of a break.”