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## QuickPoint! – Enjoy the illusion that you’re not really paying taxes, when you cash that expensive refund check

By Steve Buckstein

Are you happy getting three extra days to file your income tax returns this year?

For nearly eighty percent of us, it doesn’t matter much because we are expecting refunds. No check writing for us. Why? Because the withholding system almost encourages over-withholding, thus giving the impression that we don’t pay taxes, the government pays us!

Try a little experiment. Ask ten of your friends how much they paid in taxes. Chances are, eight of them might say something like, “I didn’t pay anything, I’m getting money back!”

This happened because my hero [Milton Friedman had one of his few bad ideas](#) when he proposed the withholding concept while working at the Treasury Department during World War II. The government needed money fast to finance the war effort, and as Friedman said years later:

“It never occurred to me at the time that I was helping to develop machinery that would make possible a government that I would come to criticize severely as too large, too intrusive, too destructive of freedom. Yet, that was precisely what I was doing.”

Of course, by over-withholding we’re just giving the government an interest-free loan. But psychologically, doesn’t it feel nice getting that refund check?

So, enjoy the illusion that you’re not really paying taxes when you cash that expensive refund check. You paid dearly for it!

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