

TAX FACTS

April 2011

With Tax Day looming, the following information might be useful in conveying the growing burden of complying with the federal tax code.

By the Numbers:

- The IRS's [Taxpayer Advocate Service](#) notes that "The Code has grown so long that it has become challenging even to figure out how long it is." National Taxpayers Union found a total of 3,784,745 words in the most recently issued Tax Code (January 2009).
- According to the [Tax Foundation](#), as of 2005 (the most recent data available), IRS regulations contained over 6,958,000 words—an 18.7% increase since 1995 and almost 9 times the total number of words in the King James Bible.

Compliance & The IRS:

- According to the National Taxpayer Advocate, in 2007, the IRS estimated that individual and business taxpayers spent 7.6 billion hours complying with the tax laws. That's the equivalent of 3.8 million employees working 40-hour weeks year-round without any vacation. That's more workers than are employed at the five biggest employers among Fortune 500 companies – more than all the workers at Wal-Mart Stores, United Parcel Service, McDonald's, International Business Machines, and Citigroup combined.
- The National Taxpayers Union (NTU) estimates that, in 2011, individual taxpayers alone will spend an estimated 2.43 billion hours complying with the income tax laws this year. Using the most recently reported average employer cost for civilian workers by the Bureau of Labor Statistics of \$29.37 per hour, this time is worth an incredible \$71.4 billion.
- The Internal Revenue Service (IRS) reported that individuals spent an estimated \$31.5 billion in 2009 for tax software, tax preparers, postage, and other out-of-pocket costs related to filing their federal income tax—which is more than the entire economic output of Yemen.

- The IRS's National Taxpayer Advocate estimated in 2006 that taxpayers spend \$193 billion each year to comply with income tax requirements. That amounted to 14% of aggregate income tax receipts in that year.
- According to the IRS, the form 1040 in the year 1935 was accompanied by a two-page instruction booklet. Taxpayers today must wade through 174 pages of instructions, over quadruple the number in 1975 and over triple the number in 1985, the year before taxes were "simplified." Today's *short* form, at 49 lines, has double the number of lines on the 1945 version of the *standard* 1040 tax return. The short form's instructions total 92 pages, more than the long form's booklet from 1995!
- According to NTU, the IRS now lists more than 1,900 publications, forms, and instructions on its website.
- In 2009, NTU estimated that the cost for federal tax compliance by corporations was \$159.4 billion, which was 54% of the corporate income taxes collected in fiscal year 2008.
- 62.8% of tax filers used paid preparers in 2006—up from 38.0% in 1980.
- The [IRS](#) was appropriated \$12.146 billion in FY 2010. To put this figure in perspective, it is more than the amount Congress appropriated for missile defense programs.
- In September 2009, the IRS had an annual payroll of over a half-a-billion dollars and employed more than 90,000 people—more than the combined number of employees (as of September 2009) at the Departments of State, Labor, Energy, Housing & Urban Development, and Education.
- According to NTU, the IRS "accounts for nearly 80 percent of the federal government's entire paperwork load imposed on citizens."

Working for the Taxman:

- This year, 100% of the income the average American earns from January 1st to April 12th (102 days) will go to pay federal, state, and local taxes in 2011, according to the Tax Foundation. Therefore, April 12th will be "[Tax Freedom Day](#)," the day on which the average American will start working for anything besides taxes.
- Tax Freedom Day in 1910 was January 19th, when taxes were just 5% of a person's income. Now, as the Tax Foundation points out, Tax Freedom Day is nearly three months later (or later in some states), and taxes are more than 27% of a person's income.
- Americans still spend more time working to pay taxes to all levels of government than they spend working to pay to put food on their tables, provide housing, and buy clothing combined.

Think You Have Paid Your Taxes for the Year? *Think Again!*

- Just because you've filed your federal income tax return, don't think you're done paying federal taxes this year. Throughout the rest of the year, you will continue paying more federal taxes every time you fly on an airplane, make a phone call, or fill up your gas tank. These taxes are just the tip of the tax iceberg.
- Since the federal government taxes corporations, they are forced to factor these costs into the prices of the products and services they sell. Corporate income taxes cost families over \$3,190 a year in increased prices, according to the [Tax Foundation](#). The U.S. corporate tax rate is the [highest effective rate](#) of all Organization for Economic Cooperation and Development (OECD) nations.

Our Higher Tax Future?

- This year's "Tax Freedom Day" falls on April 12th. However, this figure does not include the total cost of government, since it only counts what the government collects in taxes, not the additional spending that is financed via borrowing. When deficit-financed spending is added, the result is a figure which gives a truer glimpse of what current spending may mean to future taxes. If Americans had to pay for all government spending this year, they would be working until May 23rd before they had earned enough to pay their taxes.
- Current budget policies create an unsustainable gap between the amount that the federal government collects in taxes and the amount that it spends. According to RSC analysis, President Obama's proposed FY 2012 Budget would mean that fourteen highest deficits in U.S. history will have occurred from FY 2008 to FY 2021, and would nearly double the amount of the national debt - an additional \$12.2 trillion in future taxes.

Fed Up?

Members of the Republican Study Committee are as well. Ultimately, the American people deserve a completely new tax code—not one that's tweaked around the edges. However, until tax-code replacement becomes reality, Congress could lower federal taxes and make the tax code fairer and simpler. Some ways to do this, as proposed by RSC Members, include, but are not limited to:

- Establishing the [Fair Tax](#), a national retail sales tax (*Woodall, H.R. 25*);
- Permanently codifying the Bush tax cuts, abolishing the Alternative Minimum Tax for individuals, and reducing the maximum corporate income tax to 25% (*Bachmann, H.R. 86*);
- Permanently codifying the Bush tax cuts and repealing the estate tax (*Gingrey, H.R. 123*);
- Permanently repealing the estate tax (*Latta, H.R. 143*);
- Permanently repealing the estate and gift taxes (*Thornberry, H.R. 177*);
- Permanently codifying the Bush tax cuts and further reducing marginal income tax rates by 5% (*Wilson, H.R. 185*);
- Permanently codifying the Bush tax cuts, making deductions permanent, and increasing expensing for small businesses (*Neugebauer, H.R. 206*);

- Eliminating the Internal Revenue Code and requiring a new simple and fair federal tax system (*Goodlatte, H.R. 462*);
- Repealing the Alternative Minimum Tax on individuals (*Garrett, H.R. 547*);
- Repealing the authority of the IRS to withhold taxes (*Foxx, H.R. 918*);
- Reducing the corporate income tax rate to 23%, and changing to a territorial method of taxing corporations (*Scott (SC), H.R. 937*);
- Establishing a flat tax system, the Freedom Flat Tax (*Burgess, H.R. 1040*);
- Permanently repealing the estate tax and modifying the gift tax (*Brady, H.R. 1259*).

Sources for Tax Facts:

[National Taxpayers Union](#) (2), [Office of Personnel Management](#), and [The Tax Foundation](#) (also here: <http://www.taxfoundation.org/taxdata/show/1961.html>).

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