

Compliance Costs of IRS Regulations

Cross References

- www.taxfoundation.org

The Tax Foundation recently issued a fiscal fact report on the growing complexity of the U.S. tax code and IRS regulations. The report is based on data from the Office of Information and Regulatory Affairs and the Bureau of Labor Statistics. The report is designed to encourage Congress to take up the kind of tax reform that will improve economic growth, boost wages, and encourage new investment throughout the economy.

According to the report, over the last century, the federal tax code has expanded dramatically in size and scope. In 1955, the Internal Revenue Code stood at 409,000 words. Since then, it has grown to a total of 2.4 million words. Today there are also some 7.7 million words of tax regulations, promulgated by the IRS which clarifies how the U.S. tax statutes work in practice. There are also some 60,000 pages of tax-related case law.

Tax complexity creates real costs for American households and businesses. According to the latest estimates from the Office of Information and Regulatory Affairs, Americans will spend more than 8.9 billion hours complying with IRS tax filing requirements in 2016. The time it takes to comply with the tax code imposes a real cost on the economy. Individuals and businesses need to devote resources to complying with the tax code instead of doing other productive activities. According to Tax Foundation estimates, 8.9 billion hours equates to \$409 billion each year in lost productivity, or greater than the gross product of 36 states.