

CONFUSION ON STEROIDS

JULY 2009

The IRS could help taxpayers reduce errors by clarifying instructions and improving the layout of Form 1040, stated a Treasury Department report released in June. The report found that more than 2.3 million of the 7 million math errors taxpayers make each year in IRS filings could have resulted from unclear or inadequate forms. An analysis of taxpayer errors on returns filed in 2006 for the 2005 tax year showed that the most frequent errors made were in calculating deductions for personal tax exemptions, omitting Social Security numbers of dependents and mistakenly claiming children who exceeded the age limit for the Child Tax Credit. The report indicates that many of these mistakes could have been avoided if the IRS used clearer instructions on its forms.

“Changes to tax forms and instructions could reduce some of the errors made by taxpayers on their individual income tax returns,” stated J. Russell George, the Treasury inspector general for tax administration. ***“Moreover, simplifying the filing process for taxpayers by clarifying forms and instructions increases compliance and reduces burden.”***

Nina Olson, the tax payer advocate at the IRS penned a piece in the *Wall Street Journal* where she airs some other grievances...

According to her offices analysis of IRS data, U.S. taxpayers and businesses spend about \$7.6 billion hours a year complying with the filing requirements of the Internal revenue Code. If tax compliance were an industry, it would be one of the largest in the United States. To consume 7.6 billion hours, such a “tax compliance industry” would require the equivalent of 3.8 million full-time workers.

Compliance costs are huge both in absolute terms and relative to the amount of tax revenue collected. Based on Bureau of Labor Statistics data on the hourly cost of an employee, her office estimates that the costs of complying with individual and corporate income tax requirements in 2006 amounted to \$193 billion, or a staggering 14% of aggregate income tax receipts.

Since the beginning of 2001, there have been more than 3,250 changes to the tax code, an average of more than one a day, including 500 changes last year alone. The length of the tax code is 3.7 million words. The number of words has tripled since 1975.

If you want to purchase the tax code you can do so by going to the U.S. government printing office and order a copy, cost \$974, (includes shipping). It is 13,458 pages long. Do you honestly think anyone has a handle on it? Mr. Russell, rearranging the deck chairs on our Titanic tax code is ridiculous. My suggestion which I will reiterate is to encase the code in lead and shoot it into the sun, which would certainly solve the problem.

Shidler Lisa [IRS Causes Taxpayer Errors, Says Treasury Report](#) *Investment News* June 15, 2009

Olsen Nina [We Still Need a Simpler Tax Code](#) *Wall Street Journal* April 10, 2009