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The Need for Tax Reform: Simplicity, Savings, and Security

By Michael Tasselmyer

I. Introduction

Every spring, taxpayers across America are required to file their federal income taxes. As painful as it can be for many to find out how much they are required to pay, that's just one of many taxpayer concerns. Last year, Americans spent over \$220 billion and more than 6 billion hours just complying with federal tax laws, according to an annual study by the National Taxpayers Union (NTU).¹ This is a significant deadweight loss that inhibits economic growth and cannot be recovered. Many citizens' filings will inevitably be flagged for further review or audits by the Internal Revenue Service (IRS): the budget shows the IRS is spending just over \$5 billion on enforcement this year and requests to raise that amount by \$355 million for next year. Enforcement staff would increase from 42,944 to 45,910.²

On top of the effort required to navigate the filing process and the anxiety caused by the prospect of an IRS audit, taxpayers now have to confront the reality that even as electronic filing has made the process marginally more convenient, it also exposes their personal financial information to identity theft and digital attacks: there were nearly 642,000 cases of identity theft identified by the IRS in 2012.³

Although tax reform to any degree has proven to be politically difficult in Washington, time and again watchdog groups and taxpayers themselves have demonstrated that the effort, money, and security lost to the current Code's complexity must be addressed. It is the aim of this paper to demonstrate some of those costs, but more so to highlight some of the alternatives already under consideration. These include plans for new tax systems that would effectively abolish the IRS.

II. Risks Under Current System

The most pressing problems with the current Tax Code can be summed up in three words: complexity, cost, and centralization. Each of these issues burdens taxpayers, both directly and indirectly.

A. Complexity

Perhaps the clearest way to measure the Tax Code's complexity is by tracking its size as well as the staggering amount of time taxpayers spend every year filling out paperwork, filing returns, and generally navigating the tax compliance process. For 16 years, NTU has published an annual update

of its ongoing study of these factors. NTU recently released the 2014 edition of “A Taxing Trend: The Rise in Complexity, Forms, and Paperwork Burdens,” which offers some data points illustrating the labyrinthine challenges taxpayers face each April.

Most taxpayers are probably familiar with the IRS Form 1040, which today – though only two pages and 77 lines long – requires an instructional booklet 206 pages long. That booklet was just two pages long in 1935; by 2000, it was over 50 times as long, coming in at 117 pages.⁴ The Tax Code itself is well over 3.9 million words long, and is joined by 20 volumes of federal regulations totaling over 14,000 pages and 10.48 million words.

Table 1. Length of IRS Form 1040 – Form and Instructions			
Tax Year	Lines	Form Pages	Instruction Booklet Pages
2013	77	2	206*
2005	76	2	142
1995	66	2	84
1965	54	2	17
1935	34	1	2
* Excludes one extra page in the IRS’s online PDF version for Typhoon Haiyan relief contributions.			

The sheer size of the Code makes it remarkably difficult to comply without spending a great deal of time. The IRS’s National Taxpayer Advocate estimates that taxpayers spent over 6.1 billion collective hours filing their taxes last year, not including responding to audit requests or the time spent on state and local taxes. On top of that, the Office of Management and Budget reported in 2013 that the Treasury Department alone accounts for 74 percent of the paperwork burden across the entire federal government: 6.7 billion hours’ worth. For perspective, no other agency contributed more than 6 percent of the total.⁵

Even when taxpayers resort to specialized filing strategies – be it a paid preparer’s guidance or customized software programs – there is a very real chance that their returns could still contain significant errors. A recent report from the Government Accountability Office (GAO) examined returns filed by 19 randomly selected paid preparers, and found that only 2 of them calculated the correct refund amount. Errors ranged from giving taxpayers \$52 less than they were owed, to overstating their refund by \$3,718. That is especially worrisome considering that in 2011, 55.7 percent of all returns were signed by a paid tax preparer.⁶

Altogether, these problems mean that the U.S. tax environment is becoming increasingly cumbersome relative to those of other nations, not just for individuals but for corporations as well. A 2014 report from consulting and accounting firm PricewaterhouseCoopers (PwC) published jointly with the World Bank Group revealed that the U.S. ranked 61st out of 189 countries for the amount of time businesses spent complying with the Code. In a hypothetical case, PwC and the World Bank

Group estimated that a business would spend 175 hours filing its taxes in the U.S., compared to 110 in the U.K or 131 in Canada.⁷

B. Costs

As the Tax Code becomes more complex, it also becomes more expensive for the government to enforce and for taxpayers to manage. The time spent complying with the IRS's procedures and regulations can be quantified and monetized.

According to the most recent figures from the Bureau of Labor Statistics, the average non-federal civilian employee costs employers about \$31.57 per hour of work. Considering the 6.1 billion hours of time spent preparing returns, then, the value of the labor alone that was lost to tax compliance last year comes out to nearly \$192.58 billion. Individuals spent an additional \$31.57 billion in out-of-pocket costs to cover preparation and submission fees, postage, and software, for a total compliance cost of \$224.3 billion. That is just over 1.3 percent of total Gross Domestic Product (GDP) as estimated by the Bureau of Economic Analysis for 2013. By comparison, total U.S. GDP increased by \$555.1 billion in that year.⁸

The rise in complexity and cost is also reflected in the fees that paid preparers charge clients to work through the process on their behalf. In 1980, H&R Block charged, on average, \$27.36 in fees (in nominal dollars). By 2000, that amount had grown to \$101.40, and in 2013 reached \$198. The IRS last estimated average costs for professional tax services in 2006, but even then, taxpayers who filed more than one form could have expected to pay anywhere between \$125 and \$866, depending on the number and combination of forms submitted.⁹ That's particularly difficult for small business owners or the self-employed, who often need to report multiple sources of income.

C. Centralization

Official statistics show that a large majority of U.S. taxpayers are now filing their returns online: in the 2008 tax season, about 59 percent of the 151 million returns the IRS processed were filed electronically; that amount increased to 84 percent during the 2013 filing season.¹⁰ That is encouraging for those concerned with administrative costs, because while e-filing can be more convenient for many taxpayers, it also means fewer processing expenses for the IRS: a paper form cost \$3.36 to process in Fiscal Year 2012, but an online form came to just 23 cents.

However, in spite of more efficient filing, the IRS was still unable to keep up with the processing demands. In 2013 over 47 percent of paper correspondence between the IRS and taxpayers was considered "overage" – that is, more than 45 days old. That was up from 40 percent in the year before, and from 25 percent in 2009. Taxpayers looking for help on the phone could also expect delays: those who phoned in for assistance waited an average of 15.5 minutes, nearly double the 8.4 minute wait in 2009.¹¹

Gaps in the IRS's capabilities can be time-consuming and frustrating for taxpayers, but the Digital Age and amount of personal data the IRS collects to enforce the Code has brought with it the

potential for much more dangerous consequences. In 2012, the IRS reported 641,690 instances of tax-related identity theft, over 2.6 times as many recorded in the year prior. Officials acknowledge that the actual number could be even higher:

The IRS does not know the full extent of the occurrence of identity theft. Officials said that they count the refund fraud cases that IRS identifies but that they do not estimate the number of identity theft cases that go undetected. IRS officials explained that “we don’t know what we don’t know,” because if a fraudulent return goes through IRS’s identity theft models and other programs, personnel are unable to tell if they failed to detect the fraudulent return.¹² Table 2 (below) shows the number of identity theft cases identified by the IRS from 2008 to 2012.

Table 2. Identity Theft Cases Recognized by IRS	
Year	Cases
2008	47,730
2009	165,524
2010	147,680
2011	242,142
2012	641,690
Source: GAO, IRS.	

The resolution of such cases can be painfully slow as the IRS’s National Taxpayer Advocate recently pointed out in her annual report to Congress. The tax agency takes an average of 312 days to resolve an identity theft case, even though cases referred to the Advocate directly can be straightened out in an average of 87 days. The Advocate noted:

To its credit, the IRS has recognized identity theft as a major challenge and has devoted significant resources to addressing it. Yet the IRS still takes much too long to fully unwind the harm suffered by identity theft victims and issue refunds to the legitimate taxpayers. Moreover, the IRS has yet to implement an effective program for overseeing cases with multiple issues that require coordination among [20] different IRS units, and is allowing too many victims to fall between the cracks of IRS bureaucracy. Thus, victim assistance overall, as well as the IRS’s specialized but decentralized approach, continues to be inadequate.¹³

It is only natural, if unfortunate, that these maladies have occurred. The sheer enormity of information regarding incomes, investment transactions, business operations, payrolls, and other financial details circulating between the IRS and taxpayers virtually guarantees serious financial security breaches. Aside from the tens of millions of tax returns filed each year, billions of related information returns (such as Form 1099) are submitted to the IRS annually.

Over the year from April 2013 to 2014, the Government Accountability Office audited the internal controls that the IRS had put in place to protect taxpayers' sensitive data, including Social Security records, financial information, addresses, and more. They concluded that "... weaknesses... in IRS's security program increase the risk that taxpayer and other sensitive information could be disclosed or modified without authorization," citing inconsistent employee verification procedures and a tendency for the IRS to grant certain users more access privileges than necessary to perform their duties.¹⁴ In other words, even low-level IRS employees are too easily able to access and manipulate personal information stored in government databases.

And in fact, there have been many instances of IRS employees abusing their access to financial records for political purposes. During the Kennedy Administration, the "Ideological Organizations Project" within the IRS singled out and investigated conservative groups; President Richard Nixon's political opponents were often the subject of IRS audits initiated by a secret "Special Services Staff," and a 1976 Senate investigation found that the FBI intentionally harassed left-leaning groups who were critical of the agency by urging the IRS to audit them.¹⁵

Such abuse has once again been brought to the public's attention after a recent high-profile investigation showed the IRS had intentionally targeted right-leaning groups applying for tax-exempt status from 2010 to 2012. According to the Treasury Inspector General for Tax Administration (TIGTA), "[t]he [IRS] Determinations Unit developed and used inappropriate criteria to identify applications from organizations with the words Tea Party in their names," and developed extensive procedures to excessively scrutinize tax-exempt applications from groups that focused on issues like "government spending," "government debt," and "taxes." The TIGTA determined that 91 of the applications flagged for review – 31 percent – showed no signs of significant political involvement or focus, and some cases had been under review for over two years through two election cycles.

And, as the Patient Protection and Affordable Care Act's (ACA) implementation continues, taxpayers ought to be wary of the implications the law could have on the IRS's ability to intervene in their financial affairs as never before. Because so many of the law's provisions are contingent on filers' income and current insurance coverage, the IRS now has the authority and responsibility to verify whether or not Americans qualify for the law's benefits or are subject to its penalties. (The law's employer mandate, and the individual mandate requiring citizens to obtain insurance coverage or pay a fine, were delayed until 2015.) Additionally, businesses and insurance providers will undergo continual scrutiny and review to ensure that the insurance plans they offer meet the mandated criteria. According to testimony from the National Taxpayer Advocate, the IRS is already overburdened, and adding additional layers of regulatory oversight to its responsibilities means that should taxpayers require adjudication or assistance, the IRS is unlikely to be able to respond adequately.¹⁶

Recent court decisions have also caused administrative confusion. The *Halbig* ruling from the U.S. Court of Appeals for the D.C. Circuit held that the IRS did not have the authority to provide refundable tax credits to some 5 million people who tried to obtain coverage through ACA's federal exchanges. Yet, a separate decision from the U.S. Circuit Court of Appeals affirmed the IRS's power to do so, setting the stage for consideration by the U.S. Supreme Court.¹⁷

III. Options for Reform

The current Tax Code costs taxpayers substantial time and money, and those burdens are only increasing as the system continues to become more complex over time. Additionally, the administrative structure is vulnerable to new and continued security threats as well as political abuse. The need for reform is clear: but what options should we consider, and how would they minimize the inherent risks of the current system?

A. Principles of Reform

In order for tax reform to be effective and reduce the dangers to taxpayers and the economy, it needs to improve on the current system in three areas: equity, efficiency, and simplicity. All three principles are inter-related, as an adjustment to one augments the others.

An equitable system avoids making arbitrary exceptions to the Code. It ensures that the tax base is clearly defined and revenue flows are predictable. The tax system can have a very different impact on any given individual depending on his or her income, age, occupation, family, or place of residence, and all of these components shape how we view and evaluate what makes a system “fair” or not. The very definition of what constitutes “income” for tax purposes is vital as well.

To give just one example, many policy experts have contended that all genuine charitable gifts must be deducted from gross income, because that money was given away and did not give the taxpayer any economic benefit beyond the general public benefit. Some have proposed an exclusion from income in the tax law to address this issue.¹⁸

Efficient tax systems minimize economic distortions in the market. Efficiency makes it possible for individuals and businesses to capture as much utility as possible from the economic decisions they make, whether that is to save, spend, hire, or invest. Simpler systems impose fewer costs on filers, are less expensive to administer, and lessen the burden on the broader economy.

But tax reformers need to also consider transparency and accountability, primarily for the security and political reasons discussed above but also in the interest of keeping compliance and administrative costs low over the long term. A more transparent system, with mechanisms for holding administrators accountable, provides safeguards against a number of these potential flaws, or at least makes their early detection likelier.

Legislative efforts generally fall into two broad categories: those that would reform the Code, and those that would replace it entirely.

B. Reforming the Code

Proposals that would reform the Code without entirely replacing it are perhaps more politically and logistically viable. However, they are likelier to allow “cost and complexity creep” to continue, since they build on an existing system defined by expensive and difficult compliance. The tax reforms enacted in 1986 lowered the overall burden for many and simplified the Code by reducing loopholes, deductions, and brackets; however, the Code has only gotten more complex since then because of a gradual accretion of new rules and complications. The IRS’s enforcement powers, budget, intrusiveness, and inability to secure sensitive information have grown as well.

1. The Camp Proposal

The most comprehensive of the current reform alternatives is Representative David Camp’s (R-MI) Tax Reform Act of 2014. Representative Camp is chairman of the House Ways and Means Committee, and introduced his bill after a concerted effort with former Senator Max Baucus (D-MT) to broaden the tax base and restructure corporate and individual tax rates.

Under the current Code, individual income is taxed at one of seven different levels (brackets), ranging anywhere from 10 percent to as high as 39.6 percent (even higher when accounting for Affordable Care Act surtaxes). The Camp proposal consolidates these brackets into three: 10 percent, 25 percent, and 35 percent. Only single filers making \$400,000 or more per year in taxable income, or \$450,000 as joint filers, would be taxed at the 35 percent rate. The 10 percent rate would replace the current 10- and 15-percent brackets, and the 25 percent rate would replace the current 25-, 28-, 33-, and 35-percent brackets. The brackets would be indexed to the “chained” Consumer Price Index, or CPI (a somewhat less generous measurement than full CPI) to compensate for inflation. To reduce the number of itemized deductions taxpayers take and further simplify the Code, the Tax Reform Act of 2014 increases the standard deduction for individuals to \$11,000 and \$22,000 for married couples. Single filers with at least one child could take an additional \$5,500 deduction.

In addition the Act would completely repeal the highly complicated Alternative Minimum Tax (AMT), which requires many taxpayers to complete their taxes twice, taking into account a broader base of their incomes and submitting to a separate process that doesn’t allow for many of the Code’s deductions and exemptions.

The Camp proposal also makes adjustments to several tax credits, including the child tax credit and the Earned Income tax credit (EITC), both of which are examples of “refundable” credits. These provisions are designed to assist low-income earners and can be claimed regardless of a filer’s tax liability. The legislation increases the child tax credit to \$1,500 (up from the current \$1,000) and establishes a reduced \$500 credit for non-child dependents. Both amounts would be indexed to a chained CPI formula and would require verification through the use of Social Security Numbers (unlike the current child tax credit). The EITC would be converted into an exemption against a certain amount of employment-related taxes, including the payroll tax.

The legislation proposes many more reforms to the existing Code. A detailed, section-by-section summary of the Tax Reform Act is available on the House Ways and Means Committee’s website.¹⁹

2. The Camp Proposal and Complexity, Costs, and Security

The Camp proposal is based on making adjustments to the existing system. It succeeds to varying degrees in accomplishing the goals of reducing costs and complexity but is still vulnerable to many of the security challenges an IRS-administered system faces.

Consolidating the brackets into a smaller, three-tiered system, along with reducing the number of itemizers and increasing the standard deduction, would eliminate about 25 percent of the Code, according to Ways and Means Committee staff. Almost 99 percent of taxpayers would face a maximum rate of 25 percent under the new bracket system, and a higher standard deduction means more families and individuals are likely to accept it, avoiding the compliance challenges imposed by the process of claiming exemptions and itemizing deductions. Only charitable contributions in excess of 2 percent of gross income would be deductible, while home mortgage interest would be deductible only on up to \$500,000 of acquisition indebtedness (as opposed to the current \$1 million).

Repealing the AMT (which even the IRS's Taxpayer Advocate has recommended²⁰) and the additional calculations it requires not only reduces complexity, but it also means that taxpayers who make similar incomes will face similar tax burdens. Tax credits like the EITC have been plagued by fraudulent and erroneous payments in the past,²¹ and a Joint Committee on Taxation (JCT) analysis of Rep. Camp's bill shows that the modifications it makes will likely reduce those errors (in the case of the EITC, by \$378 billion over the next ten years).²²

The JCT estimated that the legislation has the potential to boost economic productivity. A Congressional Research Service study said "[t]he JCT's analysis finds that the Tax Reform Act of 2014 would be expected to reduce effective marginal tax rates on labor, creating an incentive to work, and increase the after-tax income of individuals, increasing demand for goods and services. Both of these effects would be expected to stimulate the economy."²³ The JCT estimated the bill would, on net, increase revenue by \$23.5 billion over the 2014-2018 period and by \$3 billion through 2023, and reduce outlays by \$67 billion through 2018.

3. The Flat Tax

The flat tax proposal embraces the principles of simplicity and efficiency by eliminating all tax brackets and income tax credits and deductions, and enforcing a single tax rate on all taxpayers.

Rep. Michael Burgess (R-TX) introduced H.R. 1040, the Flat Tax Act, last year. It would not make adjustments to the existing system, but would instead give taxpayers the chance to opt into a flat income tax system. For the first two years after opting in, filers would be taxed at a rate of 19 percent; the rate would then fall to 17 percent for every year after that. No estate and gift taxes would be levied, and the legislation includes a standard deduction ranging from \$16,248 to \$32,496 (indexed to CPI) depending on filing status. An additional \$6,998 deduction is available for each dependent.

Another modified version of the idea has been put forth in the 113th Congress in legislation introduced by Senator Richard Shelby (R-AL), known as the Simplified, Manageable, and Responsive Tax (SMART) Act; it would impose a 17 percent rate on any individual making over \$13,410 (\$17,120 for households). Businesses would pay 17 percent of the difference between gross revenue and purchases from other businesses, wage payments, and pension contributions. A standard deduction would still exist, ranging from \$14,070 to \$28,140 (indexed to CPI) depending on filing status.

The SMART Act, and other flat tax proposals like it, would likely broaden the tax base and reduce compliance costs. In addition, they are inherently simpler because of an overall reduction in loopholes, deductions, exemptions, and credits. However, in the case of the Flat Tax Act, the existing Tax Code would remain in place, along with all of its administrative procedures and institutions; so although it may reduce compliance costs throughout the economy as a whole as some elect to be taxed at the flat rate, it would only be to the degree that taxpayers choose that option. And under both legislative cases, the IRS would still administer the Code, with all attendant risks to taxpayer privacy and data security.

However, there are other proposals that would go even further by completely eliminating the current Code and fundamentally altering its administration.

C. Replacing the Code

Most proposals to repeal and replace the existing Tax Code take the form of a consumption tax.

1. The Consumption Tax in General

A consumption tax, as the name implies, levies taxes on the goods and services consumers buy rather than the income that they earn. Proponents argue for it based on a number of reasons:

- **Consistency.** Consumption taxes introduce less economic distortion to the market because they do not discourage or encourage the purchase of any particular good or service; all are taxed equally.
- **Simplicity.** Most states already administer consumption taxes in the form of a sales tax. Taxpayers generally understand the consumption tax and its effects: money spent is taxed; money saved or earned is not. Under the current system, accurately measuring income is extremely difficult, if not impossible.
- **Savings effect.** A consumption tax is thought by many economists to encourage saving and investment.²⁴
- **Growth.** Most academic research has shown that a consumption tax would increase GDP in the long run.²⁵

2. The FairTax

The FairTax has a nearly 10-year legislative history and has been reintroduced in the 113th Congress as H.R. 25/S. 122 by Congressman Rob Woodall (R-GA) and Senator Saxby Chambliss (R-GA).

The FairTax would completely repeal the individual and corporate income taxes, as well as the self-employment, payroll, estate, and gift taxes, and replace them all with a 23 percent national retail sales tax (applied to the after-tax value of any purchase). At the beginning of every month, families and individuals are eligible to receive a “prebate” on essential goods and services, which would be sent as a payment equal to the entire federal sales tax payable on a monthly income amount equal to the federal poverty level. In that way, a poor household consuming goods and services at the average established amount for its number of members would have an effective tax rate of 0 percent, while, for example, a family of four spending at 50 percent above that level - \$47,190 – would have an effective rate of 7.7 percent. This provision, which would be universal for all Americans, serves a similar purpose as the standard deduction and personal exemption in current law – to allow everyone to provide for themselves before they provide for government.

Unlike income tax refunds, which require a filing process that is vulnerable to identity theft, prebates amount to a more straightforward financial transaction between the taxpayer and the government. Nearly 3 out of 4 federal income tax returns claim a refund, and a refund is inherently very hard to protect. It is all too easy for an identity thief who has stolen a few key items of data from a taxpayer to file a quick, early, false return in the taxpayer's name, showing a change of address (perhaps a use-once PO box) on the tax return. The taxpayer can protect himself (herself) only by filing very early, but even then the thief's false return may get IRS action sooner.

The government estimates that nearly \$4 billion in bogus federal tax refunds were issued last year due to identity theft. A recent Associated Press article cited FBI Supervisory Special Agency Jay Bernardo as saying, “Based on the parameters that are in place now, it's very difficult to stop.”²⁶ Here again, a FairTax prebate system is not immune to identity theft, but could be better protected from unscrupulous acts than the current tax-filing scheme.

The legislation does not alter spending on mandatory programs like Social Security or Medicare, and it does not force states to collect the tax themselves (though if they choose to do so, they are compensated with a 0.25 percent fee).²⁷

3. The FairTax and Complexity, Costs, and Security

The provisions in the FairTax legislation would also defund the IRS by 2017. According to NTUF's estimates, doing so would reduce outlays by about \$12.1 billion; in its place, the FairTax would establish a new collection agency within the Treasury Department, which NTUF assumes would resemble the Tax and Trade Bureau that preceded the agencies that existed after the permanent imposition of the federal income tax. That agency would cost about \$102 million per year to administer. After factoring in the costs of mailing prebates to U.S. households – about \$241 million per year, assuming bulk mailing rates are used – and a reduction in refundable credits – \$85.8 billion over five years – the FairTax would, on net, reduce federal outlays by \$19.4 billion per year.²⁸ Costs

could be further reduced by implementing a direct deposit system to deliver prebates in lieu of mailing them, but there could be privacy concerns associated with such a system since it would require filers to submit their financial information to the government's administrators. Citizens should be given the choice of how to receive their prebates; perhaps new technologies will emerge that can combine the advantages of privacy as well as convenience.

Beyond the administrative cost reductions, academic studies suggest that the FairTax could broaden the existing tax base and promote economic growth. Under the proposal, it is possible that disposable income for households across the U.S. could increase by as much as 11.8 percent in ten years' time. That in turn could spur an 11.7 percent growth in consumption over the same period, relative to the baseline under the current tax system.²⁹

A FairTax would certainly be less costly in a financial sense to administer than the present law, and economic theory suggests consumption taxes are likely to increase saving while broadening the revenue base. However, by eliminating the IRS and dozens of exemptions, deductions and loopholes, it comes much closer to accomplishing the other goals of tax reform, among them simplicity, security, and accountability. Proponents of the FairTax suggest that because it is a singular, highly visible tax, it is one of the more transparent alternatives available to lawmakers. In the absence of the IRS, fraudulent activity and risk of identity theft are presumably reduced: in fact, the FairTax makes registering with any agency in charge of administering the tax and distribution of prebates a voluntary process. Even those who do opt in to the prebate system would not be required to report income; instead, they would be required to present a Social Security Number, household size, and a physical address. Also, issues with the current tax system such as fairness to charitable givers would be moot since the FairTax does not utilize income as its base.

Included in the legislation is a statement of rights taxpayers can expect under the new system. It includes a clear explanation of any legal action taken against them; a right to professional assistance in the event of legal action and 30 days' notice before any enforcement action is taken; and a promise of confidentiality related to any information contained in the collection agency's reports.

IV. Conclusion

The Tax Code in its current form has failed to protect taxpayers' time, money, and peace of mind. The IRS continues to grow in size and reach year after year, yet seemingly every week there are new revelations and government reports citing failed enforcement, a lack of adequate security precautions, and political targeting. Even when the problems are unintentional, they carry significant costs for the country's taxpayers and businesses. It is clear that the U.S. tax system is inefficient and overly complicated.

Legislators have several options to consider when it comes to tax reform, which to varying degrees address the issues of cost, complexity, security, and transparency. Reworking the system with those priorities in mind would better serve the interests of taxpayers across the board.

About the Author

Michael Tasselmyer is a Policy Analyst for National Taxpayers Union Foundation (NTUF), the research and educational affiliate of National Taxpayers Union.

¹ David Keating, “A Taxing Trend: The Rise in Complexity, Forms, and Paperwork Burdens,” National Taxpayers Union Policy Paper #134, April 15, 2014, <http://www.ntu.org/library/doclib/i14-04-14-taxing-trend.pdf>.

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