

## TAX FACTS

April 15, 2004

### By the Numbers:

- As of 2001, the Internal Revenue Code contained 1,685,000 words—a 13% increase since 1995 and nearly 380 times the number of words in the U.S. Constitution.
- As of 2001, IRS Regulations contained over 6,752,000 words—a 10% increase since 1995 and over 8-½ times the total number of words in the King James Bible.
- There are 733 separate sections of the federal income tax code—a 612% increase over the tax code in 1954.
- As of last year, the IRS produced 649 separate forms, schedules, and instructions with approximately 16,100 lines. IRS publications providing guidance to taxpayers alone totaled about 13,400 pages.
- In 1998, 46 tax experts surveyed came up with 46 different answers when determining a particular tax liability. The tax calculations ranged from \$34,240 to \$68,912.

### Compliance & The IRS:

- Ten years ago, the IRS said it took the average person 9-½ hours to complete the 1040. Today's average is 13 hours—time enough to complete at least 4 baseball games.
- This year, Americans will spend an estimated 6.4 billion hours complying with the tax code—6.4 billion hours ago was 734,645 years before the birth of Jesus Christ.
- It cost all taxpayers an estimated \$203.4 billion in 2003 just to comply with the tax code—that is enough money to buy a fleet of 5.1 million brand new Cadillac DeVille 4-Door Sedans at retail price. Annual compliance costs are projected to rise to \$244 billion by 2007.
- Nearly three-in-five tax filers use paid preparers.

- In 2002, businesses spent an estimated 2.75 billion hours complying with the federal tax system—that’s the equivalent of 1000 employees working 40-hour weeks for more than 132 years.
- The IRS spent \$9.4 billion in 2003 (up from \$9.1 billion in 2002)—that’s more than the FY2003 appropriations for the FBI and the Federal Prison System combined.
- In FY2003, the IRS employed an average of 98,824 people—more than the number of employees (as of September 2003) at the Departments of State, Labor, Energy, Housing & Urban Development, and Education, plus the Environmental Protection Agency **combined**.
- Yet, with all these resources, in 2001 the IRS answered less than 60% of the phone calls they received requesting information or assistance. When the IRS does answer, one out of every five answers they provided is either incomplete or incorrect.

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

- Throughout the rest of the year, Americans will continue paying more federal taxes every time they fly on an airplane, make a phone call, fill up their gas tank, or even sit down to have a cold beer. These federal excise taxes cost the average American about \$500 per year.
- 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 and the employer share of payroll taxes cost consumers over \$1,600 a year in increased prices.

### **Working for the Taxman:**

- Last year, 100% of the income the average American earned from January 1st to April 13th (103 days) went to pay federal, state, and local taxes. Therefore, April 14<sup>th</sup> was “Tax Freedom Day,” the day on which the average American started working for anything besides taxes. This year the Tax Foundation reports that, thanks to Republican tax cuts, Tax Freedom Day is April 11<sup>th</sup> (the earliest Tax Freedom Day in 37 years).
- However, if current law prevails and the tax cuts are not extended, the Tax Foundation projects that Tax Freedom Day will fall back to April 14<sup>th</sup> next year and reach April 29<sup>th</sup> in 2014.
- Americans spent more time working to pay federal, state, and local taxes than they spent working to pay medical expenses, put food on their tables, and buy clothing **combined**.

### **Don’t Let the Sun Go Down:**

Unfortunately, opposition from Senate Democrats to the various Republican tax cuts over the last three years forced the inclusion of provisions sunseting all of the tax cuts by 2011 (and sooner, in many cases). Congress must act again to make the tax relief permanent. Amazingly, some Democrat Members of Congress have suggested going in the exact opposite direction, proposing that we raise taxes even higher.

To see a list of impending tax increases that will *automatically* occur if Congress does not act, visit this RSC webpage:

<http://johnshadegg.house.gov/rsc/Impending%20Tax%20Increases--Feb%202004.pdf>

## **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 politically feasible, Congress should make the tax code fairer and simpler. Some ways to do this include:

- Accelerating and making permanent the Republican tax cuts of 2001, 2002, and 2003;
- Fully eliminating the double taxation of dividends;
- Abolishing any form of tax triggered by death and inheritance;
- Eliminating or sharply reducing the capital gains tax for individuals and small businesses;
- Repealing the 1993 income tax increase on Social Security benefits;
- Abolishing or at least significantly raising the exemption for the Alternative Minimum Tax (AMT);
- Increasing the deduction for capital losses;
- Removing the tax on interest earned from savings accounts;
- Lowering the tax on American companies’ foreign earnings brought home to the U.S.;
- Eliminating the “e-rate” surcharge on taxpayers’ monthly telephone bills;
- Allowing taxpayers to deduct from their federal income tax either state income taxes or state sales taxes;
- Permanently extending the moratorium on taxing Internet access; and
- Increasing the number of taxpayers eligible to file the 1040-EZ form.

### **Sources for Tax Facts:**

General Accounting Office, IRS, Office of Management and Budget,  
Office of Personnel Management, and The Tax Foundation.

This Document Was Prepared at Taxpayer Expense.

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