



TAX FACTS

April 2012

"In short, it is a paradoxical truth that tax rates are too high today and tax revenues are too low, and the soundest way to raise revenues in the long run is to cut the rates now."

-President John F. Kennedy, 1962

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](#) noted in its 2008 annual report that "[t]he Code has grown so long that it has become challenging even to figure out how long it is."
- According to the [National Taxpayers Union](#), as of 2010, the Tax Code had 3,837,105 words. This constitutes more than four times as many words as the complete works of Shakespeare (about 884,000 words). By comparison, the King James Bible contains 783,137 words, while the U.S. Constitution contains 4,447 words.

Compliance & The IRS:

- According to the National Taxpayers Union (NTU), the Treasury Department estimated that individual and business taxpayers spent 7.64 billion hours complying with the tax laws alone. That is the equivalent of 3.82 million employees working 40-hour weeks year-round without vacation—more than all of the workers at Wal-Mart Stores, United Parcel Service, International Business Machines, McDonald's, and Target combined.
- NTU also reported that, using the most recently reported average employer cost for civilian workers by the Bureau of Labor Statistics of \$29.72 per hour, in 2011 that the total compliance costs added up to \$227.1 billion. If accurate, this figure would be equal to about 1.5% of GDP.
- Comparing this compliance estimate to the [IRS](#) reported total income tax revenue of \$1.59 trillion, the compliance cost constitutes upwards of 14 cents for every dollar collected. The [Tax Foundation](#) in 2006 estimated that the cost actually amounted to 22 cents for every dollar of income tax collection.
- According to NTU, the IRS estimates that individuals will spend an estimated \$35.2 billion for tax software, tax preparers, postage, and other out-of-pocket costs related to filing federal income tax.
- The form 1040 in the year 1935 was accompanied by a two-page instruction booklet. Taxpayers today must wade through over 100 total pages of instructions. NTU noticed that the paperwork burden on short forms increased 44% in the decade after 1995, and that the short form instruction booklet of today is longer than the long form's entire instruction booklet in 1995.
- According to NTU, the IRS now lists at least 1,999 publications, forms, and instructions.

- 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.
- As NTU reports, 62.8% of tax filers used paid preparers in 2006—up from 38.0% in 1980.
- The [IRS](#) was appropriated \$12.1 billion in FY 2011. To put this figure in perspective, that number is significantly higher than the amount Congress appropriated for the Missile Defense Agency.
- In 2011 the [IRS](#) had over 94,000 employees, including nearly 20,000 revenue agents and officers.
- 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 money the average American earns from January 1st to April 17th (107 days) will go to pay federal, state, and local taxes in 2011, according to the Tax Foundation. Therefore, April 17th will be “[Tax Freedom Day](#),” the day on which the average American will start working for anything besides taxes.
- Tax Freedom Day in 1900 was January 22th, when taxes come out to just 5.9% 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 overall are over 29%.
- On average, more of Americans’ income will go toward taxes this year than to food, housing, and clothing combined.

Think You Have Paid Your Taxes for the Year?

- Just because you’ve filed your federal income tax return, you are not 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, businesses 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](#). This has the same effect as double taxation for Americans. What is more, the United States recently became the country with the [highest corporate tax rate](#) in the developed world.

Our Higher Tax Future?

- This year’s “Tax Freedom Day” falls on April 17th. However, this date does not include the total cost of government; this figure only includes the spending for which we are currently paying. When including the additional trillion dollars of spending currently financed via borrowing, the result is a figure which gives a truer glimpse of what current spending will likely mean to future taxes. If Americans had to pay for all government spending this year, they would be working until May 14th 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 2013 Budget would mean that all fifteen of the highest deficits in U.S. history will have occurred from FY 2008 to FY 2022, and would nearly double the amount of the national debt - an additional \$10.59 trillion in future taxes.
- Last year, the amount of U.S. debt passed the amount of annual U.S. GDP.

Fed Up?

Members of the Republican Study Committee are as well. The American people deserve a fairer, simpler tax code which rewards rather than punishes earned success. Some proposals to do this, as introduced by RSC Members, include but are not limited to:

- Eliminating the income tax and replacing it with a national retail sales tax (*Woodall, H.R. 25*)
- Permanently codifying the 2001 and 2003 tax laws, abolishing the Alternative Minimum Tax for individuals, and reducing the maximum corporate income tax to 25% (*Bachmann, H.R. 86*)
- Permanently codifying the 2001 and 2003 tax laws and repealing the estate tax (*Gingrey, H.R. 123*)
- Permanently codifying the 2001 and 2003 tax laws and further reducing marginal income tax rates by 5% (*Wilson, H.R. 185*)
- Permanently codifying the 2001 and 2003 tax laws, 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*)
- Eliminating both the income tax and the AMT on corporations (*Gohmert, H.R. 2911*)
- The [RSC Jobs Through Growth Act](#), which, among other things would, offer taxpayers the option of a new federal income tax system with two lower rates and no special deductions, as well as repeal the AMT, repeal the death tax, lower the top corporate income tax rate to 25%, and eliminate the investment tax on inflation (*Garrett, H.R. 3400*)

Sources for Tax Facts:

[National Taxpayers Union](#) (2, 3), [IRS](#), and [The Tax Foundation](#) (also here: <http://www.taxfoundation.org/taxdata/show/1961.html>).

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