The Daily Dish

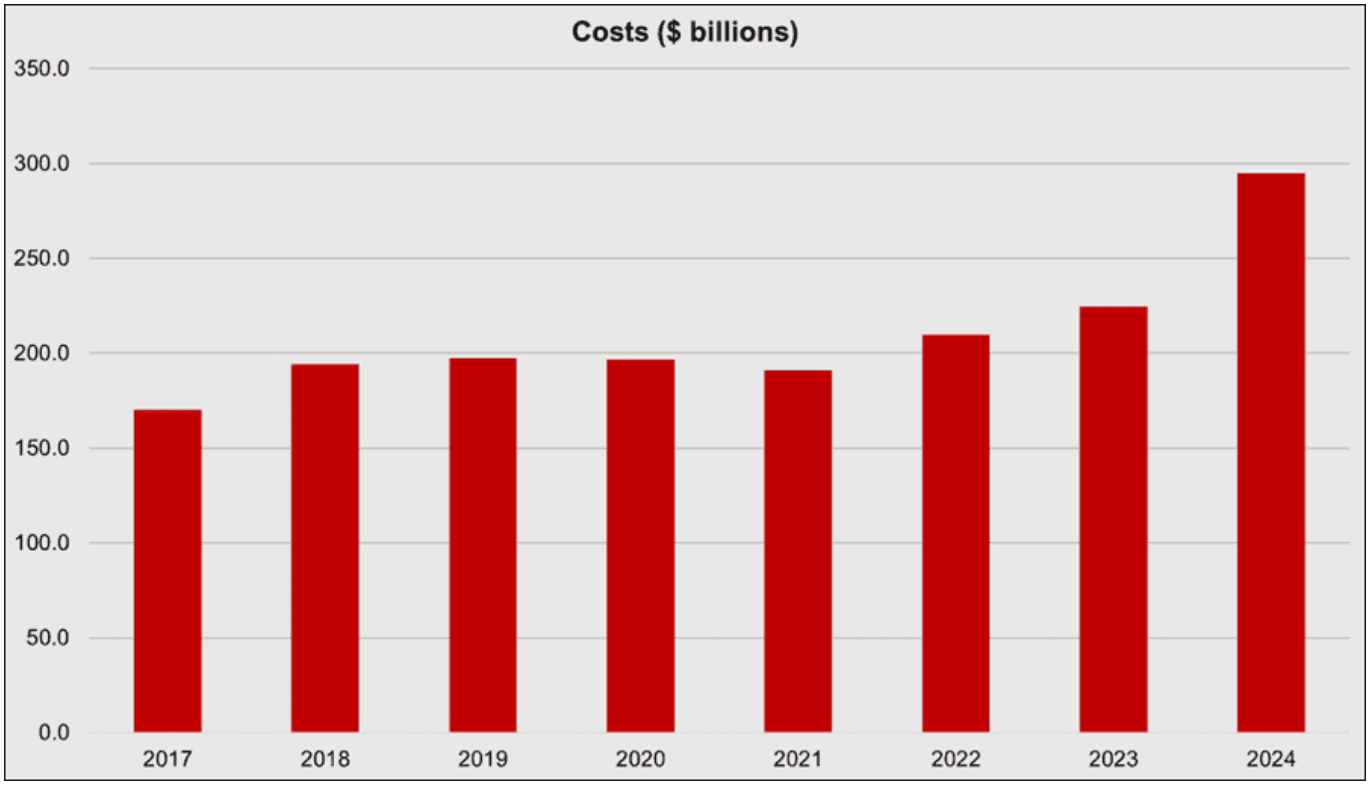
Happy Tax Day!

DOUGLAS HOLTZ-EAKIN | APRIL 15, 2024

Happy Tax Day 2024 when, as usual, talk turns to taxes. Are taxes too high, too low, or just Goldilocks (and spending too high, too high, or just too high)? Are rates too high and the base too narrow, or are we taxing too broad a swath at lower rates. Is the tax system fair? These issues will be heavily debated and unresolved come midnight.

There is, however, one thing that is very clear: The tax system is expensive. It is expensive to administer – witness the debate over giving the Internal Revenue Service (IRS) additional funding. But it is also very expensive to comply with the federal tax system, a reminder we get this tax season compliments of Dan Goldbeck and his IRS paperwork tracker.

The basic results are shown in the chart (below). The tracker uses data on Information Collection Requirements (ICRs) from the Office of Information and Regulatory Affairs' (OIRA) RegInfo.gov website. AAF tracks 456 unique ICRs which contain IRS estimates of the expected responses and the hours needed to produce them. Where necessary, AAF applies the Bureau of Labor Statistics' estimated average hourly wage for compliance officers ($38.55) to get the dollar burden. As the chart indicates, the cost this year is essentially $300 billion. That is real money.



It is also up sharply from one year ago. This is due to a single ICR, which – fittingly – the IRS only cleared on April 11. The ICR in question is the paperwork for "Proceeds From Broker and Barter Exchange Transactions." According to Goldbeck, the hours needed to comply increased "by more than 1.5 billion hours, from 674 million hours previously to now nearly 2.2 billion. The primary reason for this adjustment according to the IRS is that 'Section 80603 of the Infrastructure Investment and Jobs Act requires brokers to report digital assets.'" This single ICR produced a nearly $60 billion increase from the previously estimated total.

I doubt anyone mentions this if asked about the impact of crypto on Americans' lives, but there you have it. The tax code is expensive and this year crypto is to blame. Enjoy Tax Day and see you next year for another update.