Insight

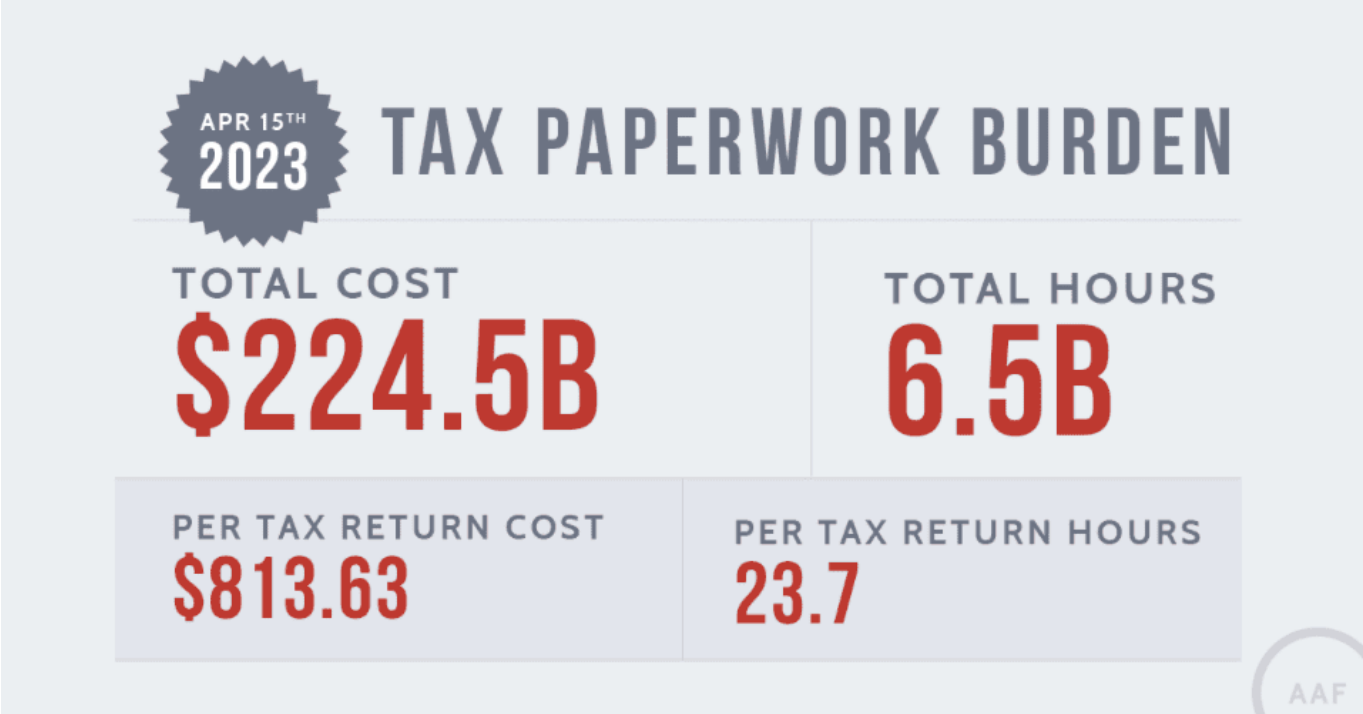
Tracker: The Cost of Tax Paperwork for Tax Day 2023

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INTRODUCTION

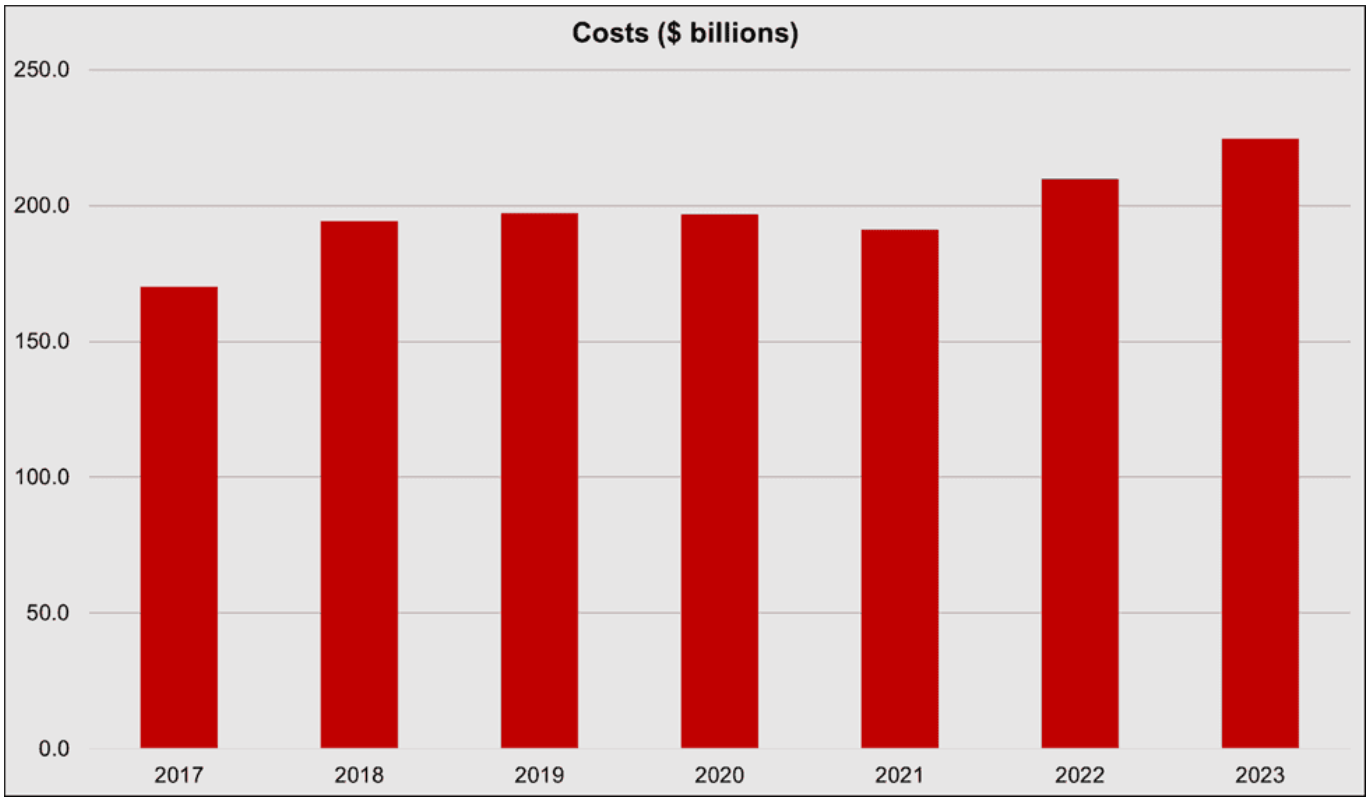
The American Action Forum (AAF) tracks the cost of complying with Internal Revenue Service (IRS) paperwork. Updated quarterly, the tracker uses data on Information Collection Reviews (ICRs) from the Office of Information and Regulatory Affairs' (OIRA) RegInfo.gov website. For more information on how costs are calculated, see the Methodology section, below.

For this edition of the tracker, data as of April 15, 2023, is compared to the snapshot of costs compiled annually by AAF on Tax Days going back to 2017.



TAX DAYS: YEAR OVER YEAR

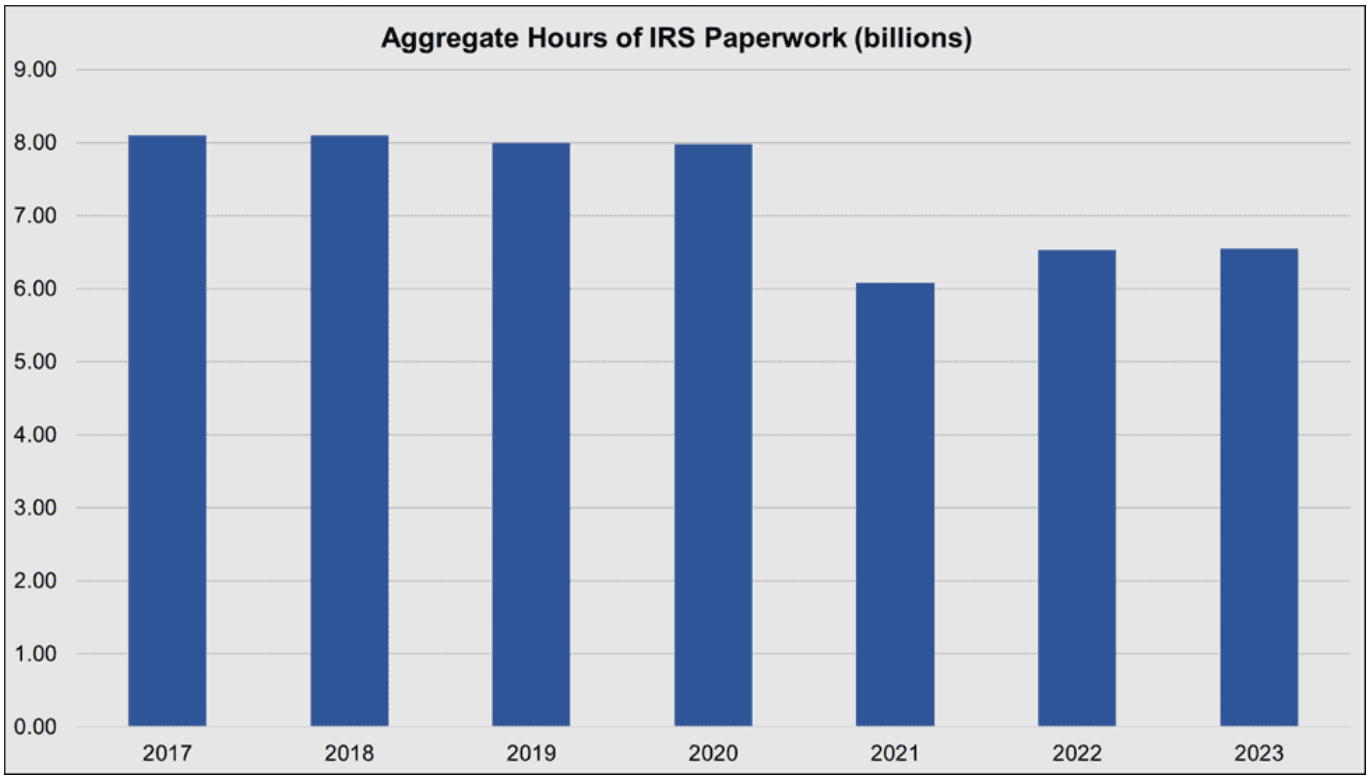
Costs



Note: Due to COVID-19, Tax Day 2021 was in May, and Tax Day 2020 was in July.

After crossing the $200 billion threshold in 2022, the administrative costs involved in tax paperwork continued to ascend in 2023, increasing by nearly $15 billion. The main drivers of this continued trend were, incidentally, the two most significant types of returns: the "U.S. Business Income Tax Return" and the "U.S. Individual Income Tax Return." The business tax return saw a cost increase of roughly $11.2 billion while its overall hour total fell by 186 million hours. Such a dynamic yielded a $62.49 per-hour rate, approximately $20 per-hour higher than its previous iteration. It is difficult to point to an exact driver of these shifts since IRS utilizes an internal modeling system to arrive at these totals. In its provided statement, the agency notes that the "estimated change in burden is primarily due to the transition from tax year 2016 survey data and associated model to recently available 2019 survey data and associated model." The individual tax return saw both hours and costs increase concurrently by 163 million hours and $3.2 billion, respectively. These changes also came from using more recent data in its model.

Hours



The paperwork total remained remarkably stable, creeping up by a "mere" 20 million hours. The baseline for that shift, however, is Tax Day 2022. In further examining changes that happened throughout the year, there were some notable individual shifts. While the income

tax returns discussed above had a cross-cutting dynamic resulting in a net-decrease of 23 million hours, sizeable increases from another pair of ICRs were the main force pushing the overall total in a net-increase direction. The "U.S. Income Tax Return for Estates and Trusts" brought a 25.7 million-hour spike while the "U.S. Tax-Exempt Income Tax Return" increased by 14.5 million hours. These adjustments were also primarily due to updated assumptions in the computational models used.

METHODOLOGY

The tax paperwork costs tracker reviews every active IRS Office of Management and Budget Control Number (collections of information or recordkeeping requirements) on RegInfo.gov, the government website that houses all federal paperwork information. That search found 457 unique ICRs, which is how OIRA segments different paperwork requests from federal agencies, all of which contained IRS estimates of expected responses and burden hours. The IRS only estimates the costs for about a dozen of these ICRs, however. To project costs for the rest, AAF applies the Bureau of Labor Statistics' estimated average hourly wage for compliance officers ($36.45). The methodology is consistent with AAF's previous Tax Day research. Per tax return calculations are based on the latest IRS official projection for expected returns filed in fiscal year 2023.

PREVIOUS TAX DAY RESEARCH

2022

2021

2020

2019

2018

2017