



The Daily Dish

Happy Tax Day

DOUGLAS HOLTZ-EAKIN | MAY 17, 2021

Eakinomics: Happy Tax Day

Today is Tax Day 2021, delayed from April 15, presumably to commemorate the anniversary of May 17, 1769, when George Washington protested the British policy of “taxation without representation” by introducing a series of (unenforceable) non-importation resolutions to the Virginia House of Burgesses. (The royal governor promptly disbanded the House of Burgesses.) In the intervening 252 years, the United States got its independence, lots of representation, and plenty of taxation. Costly taxation.

The costs of the tax system extend beyond the revenue collected. As Dan Bosch and Gordon Gray [point out](#): “The total projected cost of Internal Revenue Service (IRS) paperwork is \$191 billion annually – a small decrease from last year’s projection.”

Their study is the latest annual snapshot of IRS paperwork costs. To construct the estimate, AAF used the Office of Information and Regulatory Affairs (OIRA) database of Information Collection Reviews, 483 of which are traced to the IRS. Bosch and Gray note that “The IRS estimates the costs for just 13 of these ICRs, however, totaling \$83.9 billion. To project costs for the rest, AAF applied the Bureau of Labor Statistics’ estimated average hourly wage for compliance officers ([\\$36.35](#)).”

Using these methods yields the total cost of \$191 billion, above. In addition, it is estimated that Americans will spend 6.1 billion hours completing any (or more likely several) of the IRS’s 1,247 forms (an average of 1.7 hours per response). They note, however: “What stands out in this year’s analysis is the nearly 2 billion-hour decline in the number of hours Americans spend completing tax forms. That drop is due to a major change in the government’s estimate for filling out the [Business Income Tax Return \(BITR\)](#).” Unfortunately, there were other increases, notably a \$5 billion increase the costs of complying with the Individual Income Tax. The upshot is that overall compliance costs fell by only 3 percent.