



Insight

Comments on Proposed IRS Regulation

SAM BATKINS | DECEMBER 27, 2013

Thank you for the opportunity to comment on the Internal Revenue Service (IRS) revised estimate for corporate tax compliance under OMB Control No. 1545-0123. We applaud this effort to examine the burden imposed by the current collection and the method used to estimate these costs.

However, we do have several concerns about what approving this collection would mean to the overall paperwork burden of Treasury and to the nation. The current Control No. [1545-0123](#) generates 5.8 million responses, 362 million hours, and no monetized costs. IRS proposes to increase this estimate under the control number to 10.3 million respondents, 2.8 billion hours, and \$48.5 billion dollars, significant jumps from the existing burden.

If approved, this collection would become the costliest information collection requirement across all agencies, eclipsing the next highest requirement ([SEC's rule 10b-10](#)) by roughly 600 percent. The new collection would also impose more paperwork burden hours than any other collection. Currently, the [U.S. Individual Income Tax](#) requires 2.6 billion hours. In other words, OMB Control No. 1545-0123 will impose 153 million more hours than the individual income tax from 140 million fewer respondents.

This is an extreme financial burden on America's businesses, and the IRS notice admits as much, estimating per respondent costs of \$4,700, simply for complying with a single regulatory requirement. Does IRS plan to revise all of its major collections to incorporate the new Business Taxpayer Burden Model (or other similar models) to more accurately estimate paperwork compliance?

As IRS is aware, Treasury already imposes 7.8 billion hours of paperwork, by far the most in the federal government. If this collection were approved, would Treasury's total collection burden rise to 10.6 billion hours? If so, the approved requirements would increase the government's cumulative burden to 12.8 billion hours, the highest ever recorded. Although we recognize these are not necessarily new regulatory burdens, if IRS underestimates Control No. 1545-0123 by a factor of seven, what does this revision portend for other paperwork revisions?

The reported cost of compliance with government paperwork would also rise to \$121.3 billion, or \$9.20 per hour. However, for this collection, IRS estimates hourly compliance at roughly \$17 per hour. Does IRS plan to revise other collections with a higher hourly cost of compliance? For example, IRS estimates the individual income tax imposes an hourly cost of compliance of \$12.72. If the \$17 dollar per hour figure were applied to the individual income tax, its costs would rise to \$44.9 billion, or 61 percent of the current paperwork cost burden.

Finally, the notice mentioned a "continuing effort to reduce paperwork and respondent burden[s]," but there appears to be no effort to lessen paperwork burdens, only to recalculate existing burdens. According to the annual Information Collection Budget, Treasury has never required more paperwork than it imposes today; since FY 2005, it has added more than 1.4 billion hours of paperwork. Approving this notice will only add to

Treasury's record paperwork requirements.

Consistent with President Obama's Executive Order 13,563 that "each agency shall identify and consider regulatory approaches that reduce burdens," we urge IRS to not only recalculate existing burdens, but also to find ways to consolidate and eliminate unnecessary requirements. IRS and Treasury have cut paperwork in the past, and we find little to prevent IRS from streamlining existing requirements.

We appreciate the opportunity to comment on this notice. Should IRS require additional information, please contact us at 202-559-6420.

Sincerely,

Sam Batkins
Director of Regulatory Policy
American Action Forum