Insight

Tracker: The Cost of Tax Paperwork

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INTRODUCTION

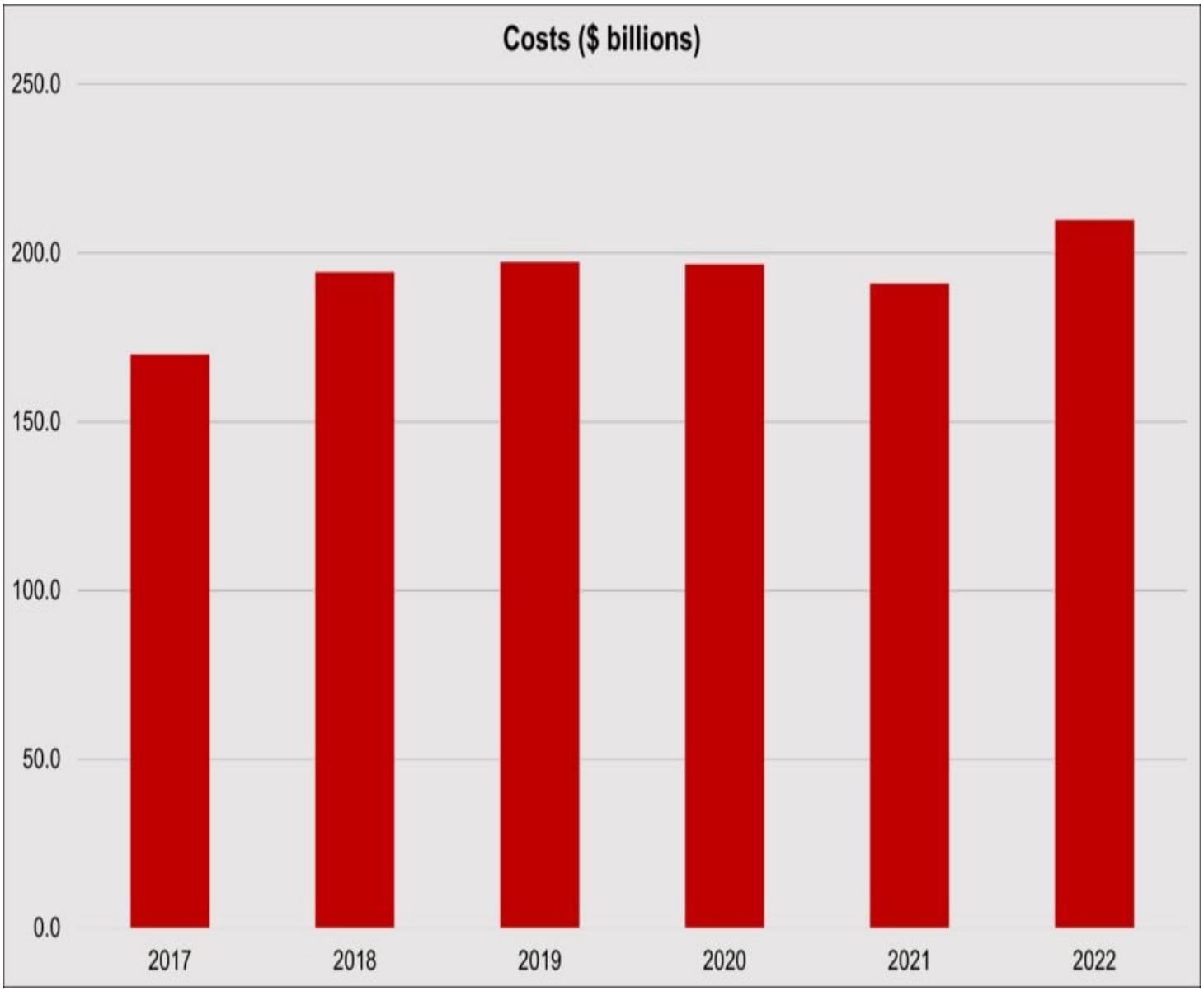
The American Action Forum (AAF) tracks the cost of complying with Internal Revenue Service (IRS) paperwork. Updated quarterly, the tracker uses data on Information Collection Reviews (ICRs) from the RegInfo.gov website from the Office of Information and Regulatory Affairs (OIRA). For more information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

For this first edition of the tracker, data as of April 14, 2022, is compared to the snapshot of costs annually compiled by AAF on Tax Days going back to 2017.



TAX DAYS: YEAR OVER YEAR

Costs

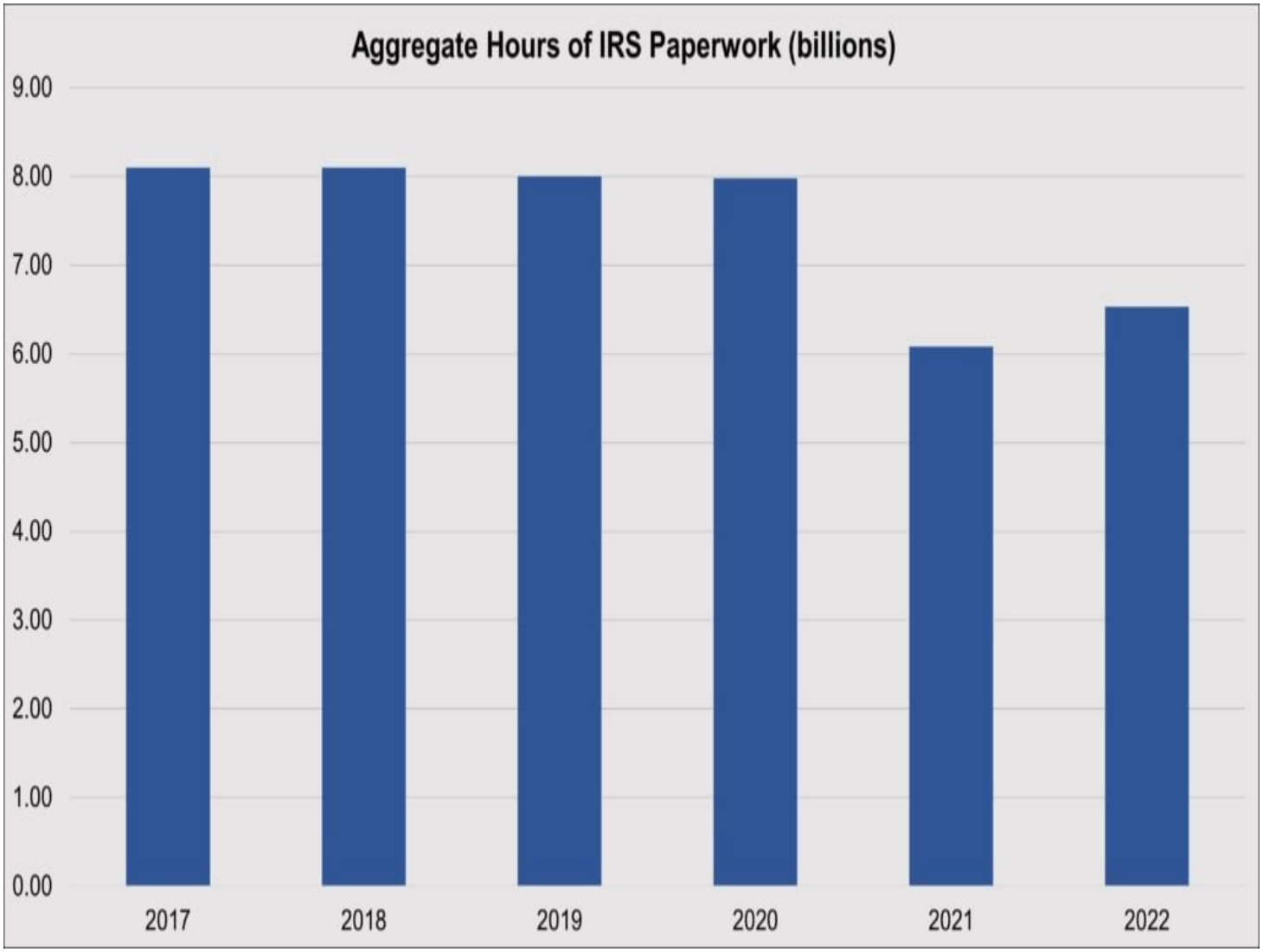


Note: Due to COVID-19, Tax Day 2021 was in May, and Tax Day 2020 was in July.

Costs grew dramatically from 2021 to 2022, topping $200 billion for the first time. The $18.4 billion increase is the biggest year-over-year change since 2018, when costs exceeded 2017 levels by $24.3 billion. The largest increase came from a major change in the Qualified Business Income Deduction (QBID) estimate. In 2021, the IRS estimated just 10,000 responses and 30,000 hours. That estimate applied only to the simplified QBID, however. Over the past year, the agency added a longer version for more complicated deductions, including four schedules – or forms that must be prepared to calculate certain types of income or deductions. Total estimated responses and hours skyrocketed as a result, to 41.4 million and 336 million, respectively, at a total cost of $12.2 billion.

The other notable cost increases came from annual adjustments to the estimates for the business and individual income tax, which increased by $4 billion and $1.7 billion, respectively.

Hours



Following a nearly 25 percent drop in the total estimated hours spent complying with tax paperwork in 2021, hours rebounded somewhat to 6.53 billion. The same three ICRs that provided the largest cost increases contributed to the increase in total hours.

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 466 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 2022.

PREVIOUS TAX DAY RESEARCH

2021

2020

2019

2018

2017