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IRS Commissioner Supports Simpler Tax Code

In a recent speech given by the IRS Commissioner, Doug Shulman at the Harvard University's Kennedy School of Government, the Commissioner expressed his desire to see a simpler tax code. In his speech, Shulman said that there have been 15,000 changes to the Tax Code since 1986, including 3,000 legislative changes since just the year 2000. And now lawmakers are drafting even more changes to the tax code as Congress has been convening a series of hearings in both the Senate and the House of Representatives on tax reforms for individuals and businesses.

Shulman said, "Most taxpayers want simplicity. They want to pay what they owe, understand what tax benefits they are entitled to, and not get tripped up by the system. However, today's Tax Code is anything but simple. It is so complex that it makes it hard for taxpayers to plan and make out an annual budget as there can be unpredictable tax bill swings from year to year. One year you might be eligible to claim a tax credit reducing what you owe. But the following year, the tax credit will expire, or there may be a change in your personal situation that will knock you out of the eligibility box."

As an example, Shulman quoted the tax code's rule on claiming Child Dependency relief which now has grown much more complex with the Earned Income Tax Credit and Child and Dependent Care credit and deductions for dependent care expenses.

Shulman went on to comment that, "Perhaps the most telling indicator of taxpayer confusion over the code's complexity is that today, 90% of individual taxpayers pay for professional tax preparation or tax software to prepare their tax returns."

Shulman did acknowledge the benefit of targeted benefits for certain groups of taxpayers such as those that put money back into the coffers of businesses and individuals in the face of the economic recession. But he also said, “Unfortunately, we’ve ended up with a complex set of overlapping incentives that have built up over the years. We have expenditures of every kind and flavor, often leaving the taxpayer confused.”

Between 1980 and 2010, the Joint Committee on Taxation found that the number of tax expenses in the tax code increased from slightly less than 100 to almost 250. Thus Shulman concluded his talk by saying, “My central message this evening is this – Making the Tax Code less complex is the single most important thing that could be done to improve taxpayer service and boost compliance.”