



TAX FACTS

April 11, 2005

By the Numbers:

- As of 2001 (the most recent data available), the Internal Revenue Code contained 1,685,000 words—a 13% increase since 1995 and nearly 380 times the number of words in the U.S. Constitution. Almost three-fifths of the words in the Code deal with federal income taxes.
- As of 2001, IRS Regulations contained over 6,752,000 words—a 10% increase since 1995 and over 8½ times the total number of words in the King James Bible.
- As of 2001, there were 733 separate sections of the federal income tax code—a 612% increase over the tax code in 1954.
- As of 2003, the IRS produced 649 separate forms, schedules, and instructions with approximately 16,100 lines. IRS publications providing guidance to taxpayers alone totaled about 13,400 pages.

Compliance & The IRS:

- Ten years ago, the IRS said it took the average person 9½ hours to complete the 1040. The average as of 2002 (the most recent data available) was 13.5 hours—time enough to complete at least six college basketball games.
- In 2002, the Tax Foundation reported that individual Americans spent an estimated 2.9 billion hours complying with the federal income tax system—2.9 billion hours ago was about 329,000 years before the birth of Jesus Christ.
- It cost all taxpayers an estimated \$203.4 billion in 2003 just to comply with the tax code—that is enough money to buy a fleet of 5.1 million brand new Cadillac DeVille 4-Door Sedans at retail price. Annual compliance costs are projected to rise to \$244 billion by 2007.
- Nearly three-in-five tax filers use paid preparers.

- In 2002, businesses spent an estimated 2.75 billion hours complying with the federal tax system—that’s the equivalent of 1,000 employees working 40-hour weeks for more than 132 years.
- The IRS spent \$9.76 billion in FY2004 (up from \$9.40 billion in FY2003)—that’s more than the FY2003 appropriations for the FBI and the Federal Prison System combined.
- In FY2004, the IRS employed an average of 98,735 people—more than the **combined** number of employees (as of September 2004) at the Departments of State, Labor, Energy, Housing & Urban Development, and Education, along with the Environmental Protection Agency.

Think You Have Paid Your Taxes for the Year? *Think Again!*

- Throughout the rest of the year, Americans will continue paying more federal taxes every time they fly on an airplane, make a phone call, fill up their gas tank, or even sit down to have a cold beer. These federal excise taxes cost the average American about \$500 per year.
- Since the federal government taxes corporations, they are forced to factor these costs into the prices of the products and services they sell. Corporate income taxes and the employer share of payroll taxes cost consumers over \$1,600 a year in increased prices.

Working for the Taxman:

- Last year, 100% of the income the average American earned from January 1st to April 14th (105 days) went to pay federal, state, and local taxes. Therefore, April 15th was “Tax Freedom Day,” the day on which the average American started working for anything besides taxes. This year the Tax Foundation reports that Tax Freedom Day has moved back two days to April 17th (due to economic growth and thus more people falling into higher tax brackets; there have been no new tax increases since last year).
- If current law prevails and the tax cuts are *not* extended, the Tax Foundation projects that Tax Freedom Day will occur on April 29th by 2015.
- Americans still spend more time working to pay federal, state, and local taxes than they spend working to pay medical expenses, put food on their tables, and buy clothing combined.

Don’t Let the Sun Go Down:

Opposition from Senate Democrats to the various Republican tax cuts over the last three years forced the inclusion of provisions sunsetting all of the tax cuts by 2011 (and sooner, in many cases). Congress must act again to make the tax relief permanent.

To see a list of impending tax increases that will *automatically* occur if Congress does not act, visit this RSC webpage:

<http://johnshadegg.house.gov/rsc/Impending%20Tax%20Increases--Apr%202005.pdf>

Fed Up?

Members of the Republican Study Committee are as well. Ultimately, the American people deserve a completely new tax code—not one that’s tweaked around the edges. However, until tax-code replacement becomes reality, Congress could make the tax code fairer and simpler. Some ways to do this include:

- Accelerating and making permanent the Republican tax cuts of 2001-2004;
- Abolishing any form of tax triggered by death, inheritance, and gifting;
- Permanently extending the moratorium on taxing Internet access;
- Abolishing or at least significantly raising the exemption for the Alternative Minimum Tax (AMT);
- Fully eliminating the double taxation of dividends;
- Eliminating the capital gains tax for individuals and small businesses;
- Repealing the 1993 income tax increase on Social Security benefits;
- Increasing the deduction for capital losses;
- Allowing businesses to fully expense equipment purchases;
- Removing the tax on interest earned from savings accounts;
- Eliminating the Spanish-American War excise tax on taxpayers’ monthly telephone bills; and
- Increasing the number of taxpayers eligible to file the 1040-EZ form.

Sources for Tax Facts:

General Accounting Office, IRS, Office of Management and Budget,
Office of Personnel Management, and The Tax Foundation.

RSC staff contact: Paul S. Teller, paul.teller@mail.house.gov, (202) 226-9718