

The logo consists of the letters 'NR' in a bold, white, serif font, centered within a solid black square.

The Solution to IRS Incompetence Is Simplifying the Tax Code

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February 14, 2022

Daniel J. Pilla questions the oft-repeated claim that the IRS is operating on “1960s technology” and needs billions of dollars in extra funding to modernize its systems. But, as he points out, it does plenty of high-tech stuff already and wants to do more:

Knowing this, recall my questions about the IRS’s technological capabilities and the answers are clearly obvious. The IRS most certainly is *not* using 1960s technology; it’s merely overwhelmed. It has spent tens of billions of dollars just since 2000 alone upgrading computers. Now those systems include the power to track you across the Internet with facial-recognition software.

All of that and the agency is still a “train wreck,” according to Chris Edwards of the Cato Institute.

Edwards looked at the annual report from the IRS Taxpayer Advocate Service and found truly dismal results from the IRS. The agency answers only 11 percent of incoming calls, takes 45 days to turn around correspondence, and finished the 2021 tax season with a backlog of 35 million returns, the report found.

The report does say that some computer systems are genuinely outdated. But, to Pilla’s point, it’s clearly not all of them, and that alone doesn’t come close to explaining why the IRS is perpetually unable to perform its duties adequately.

Edwards adds that Congress has seen fit to add more tasks to the IRS’s plate, even though it isn’t any good at doing what it’s supposed to do now. The American Rescue Plan changed multiple parts of the tax code that affect ordinary filers, and “each law change can prompt millions of queries from confused taxpayers, which in turn consumes more IRS resources in response,” Edwards writes.

The IRS is clearly a poorly run organization, and poorly run organizations should not be rewarded with more money. That's especially true if that organization "is steadily working toward its goal of having real-time access to all the personal data of every American," as Pilla writes.

It's foolish to think that we are one infusion of money away from the IRS's becoming a model of efficiency. The bureaucrats who run the agency will always tell Congress that they don't have enough money, and there's a certain amount of institutional learned helplessness that goes into that. If the agency actually improved its processes and better served taxpayers, its case for funding increases would weaken.

The ultimate solution to the problem of IRS incompetence is to make the agency less important by simplifying our endlessly complex tax code. Filing a tax return does not need to be a dreadful and confusing experience. Every twist and turn on every tax form is a new opportunity for the IRS to screw something up. They've demonstrated their incompetence for years. It's time to stop giving them so many chances.

With a simpler tax code, the tax collectors would have less to do, which is better for them and better for us.