



Simplify tax code to solve IRS mess

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APRIL 18, 2022 01:10 PM

The filing deadline for federal income taxes this year is April 18. Hopefully, your return is straightforward and you won't need help from the Internal Revenue Service. The tax agency has been plagued by awful phone service, piles of unopened mail, backlogged return processing, and rising numbers of taxpayer disputes, as [described](#) in a recent report by the Taxpayer Advocate.

The Government Accountability Office has released [a new report](#) highlighting the IRS's troubles during last year's filing season:

- More than 10 million returns had still not been processed by the end of the year. [p. 11]
- The number of returns held for errors soared to 35 million, 86 percent more than normal. [p. 12] Most of the errors stemmed from breaks and subsidies, including child credits, recovery rebate credits, and earned income credits. [p. 13]
- The IRS is incurring soaring interest costs because of its backlogged processing. [p. 21]
- Phone calls to the IRS skyrocketed to 195 million, up from 39 million in 2019. [p. 27]
- The IRS answered just 15 percent of taxpayer phone calls. [p. 27]. An incredible 160 million people called but could not get through. [p. 28]
- The inventory of unanswered taxpayer-written queries has soared. [p. 27]
- Finally, “taxpayers experienced a maelstrom of confusion when seeking assistance on their delayed refunds.” [p. 54]

The pandemic can be blamed for some of this, and the IRS blamed for poor management and antiquated computer systems. But the main culprit is Congress, as I discussed [here](#) . It keeps passing tax breaks and subsidies that are difficult to administer and generate millions of errors. Recent provisions such as the expanded child tax credit are piled on top of existing breaks such as the EITC, which has an improper payment rate of 24 percent. The Taxpayer Advocate says that a “principal cause of the EITC improper payment rate is the complexity of the rules.”

The severe administrative problems with such breaks, and the current IRS mess, should signal to policymakers that tax complexity is out of control. But President Biden's Build Back Better (BBB) proposal included dozens of new and expanded breaks—for low income housing, new markets, possessions economic activity, electricity produced from renewable resources, solar facilities, alternative fuels, electric transmission property, carbon sequestration, nuclear power production, aviation fuel, clean hydrogen, nonbusiness energy property, residential energy efficiency property, energy-efficient commercial buildings, energy-efficient homes, conservation, wildfire mitigation, plug-in electric vehicles, commercial electric vehicles, fuel cell vehicles, alternative fuel refueling property, electric bicycles, advanced energy projects, insulation installation, manufacturing investment, advanced manufacturing production, environmental justice, clean electricity production, clean electricity investment, clean electricity investment for low-income communities, clean fuel production, public university research infrastructure, and compensation for local journalists.

Those are just some of Biden's proposed tax breaks. Each provision would need regulations for eligibility, rates, limits, and other specifications. Each would generate IRS and taxpayer errors and disputes. Each would spawn new ways to defraud the government. The IRS and accounting firms would need to invest resources to learn about electric bicycles, wildfire mitigation, and many other things.

On top of the BBB proposals, the president proposed a 120-page slew of complicated tax hikes as part of his recent budget. Overall, Biden's tax policy is a crazy jumble of inconsistent hikes and narrow breaks. Proposed business tax hikes would undermine investment in the same activities that new breaks were aimed at, such as renewable energy. The proposed corporate tax rate hike would offshore jobs at the same time the president is proposing a new "tax credit for inshoring jobs to the United States."

Republicans can be counted on to resist Democratic tax increases, but they should also push for a major tax-code simplification. GOP members are usually seen as critics and opponents of the IRS, but simplification would make the job of IRS tax administration much easier.