

The Complexity of Taxes

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Tax History

The Income Tax Code
Adopted in 1913 had 14
pages

Tax Fact

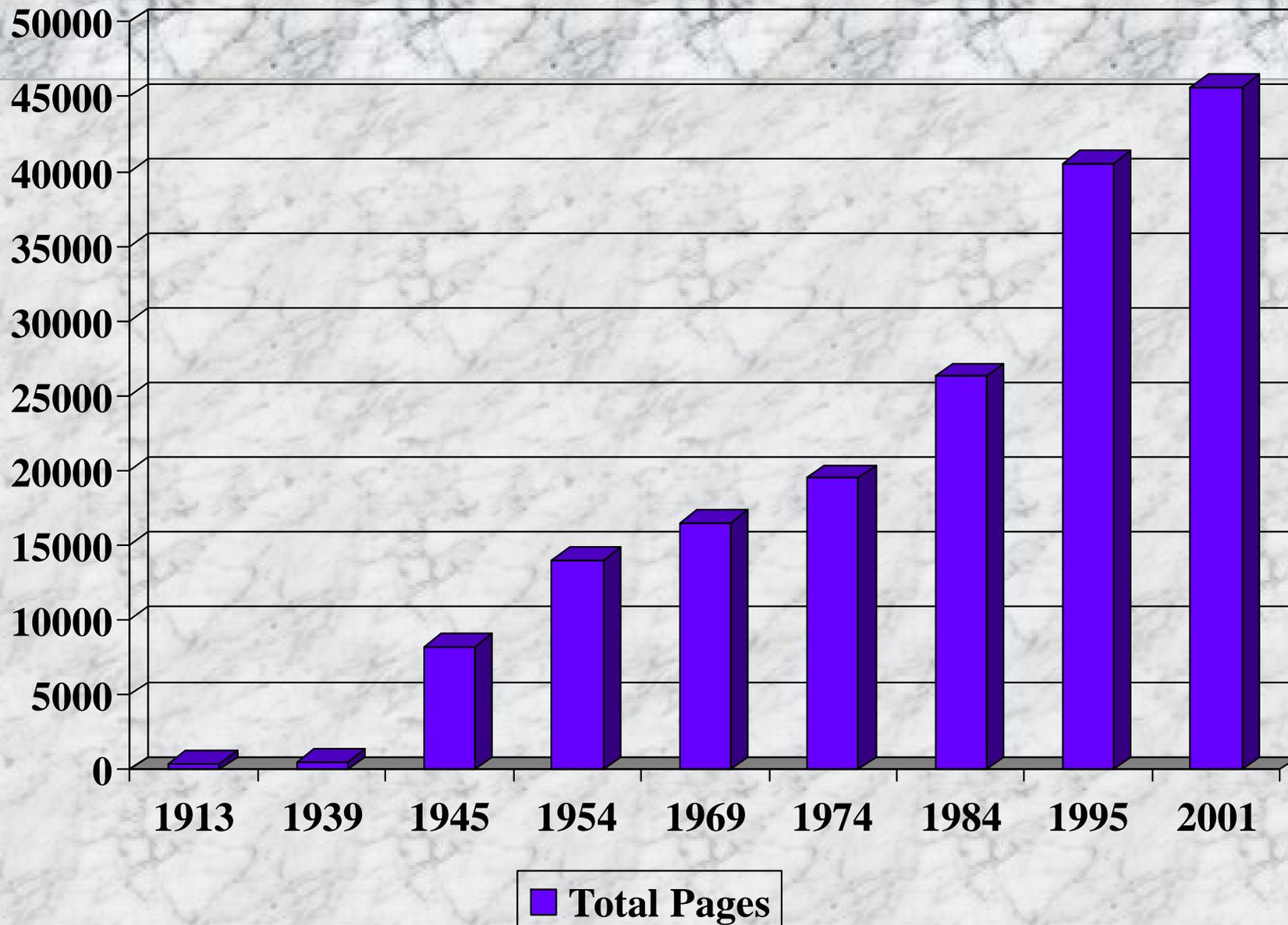
The first annual report by the Taxpayer Advocate in 1997 (as required by the Taxpayer Bill of Rights II) listed the **complexity** of the federal tax law as “The single most **burdensome** aspect of compliance for most taxpayers.”

Tax Fact

The federal tax Code and
Regulations include
nearly **9.4 million** words.

Source: Atlanta Journal-Constitution, April 27, 2001

Code, Regs & IRS Rulings



5/3/2008

Source: *Cato Institute*

Tax Fact

In April 2001, Congress issued a 1,292 page, **5 pound** report on how to simplify the Federal Tax Code

Source: Atlanta Journal-Constitution, April 27, 2001

Tax Fact

In 2006, General Electric filed the largest **electronically** filed tax return in history. It was **24,000 pages** long.

Source: RIA Checkpoint, June 7, 2006

MEMORABLE QUOTES

*“[The federal government] should have a tax system which looks like someone designed it on **purpose**”*

William E. Simon (former Treasury Secretary)

MEMORABLE QUOTES

*The [tax] code today encompasses 9,500 pages of very small print. While every word...has some justification, in its entirety it is an **abomination**”*

Paul O’Neal (Treasury Secretary)

MEMORABLE QUOTES

*“It is time for a complete overhaul of our income tax system... **it is a disgrace to the human race.**”*

Jimmy Carter in Accepting the Democratic Nomination in 1976

Tax Definition

Section 1273 and its Treasury Regulations include a definition of "qualified stated interest," often called QSI for short.

But, section 1273 has a parenthetical exception for amounts "other than" QSI.

Ok, that would be not QSI.

But, section 163(e) and its regulations refer to interest "other than" the 1273 parenthetical.

That makes it not not QSI.

Naturally, there is an exception to that provision, which then gives us the concept of:

Not not not qualified stated interest

MEMORABLE QUOTES

*“ Complexity now causes
\$1 in Compliance Costs
for each \$7 in Federal
Revenue Raised.”*

Ways and Means Chairman William Thomas (2005)

Tax Fact

**The IRS has reported that
the average time to
prepare form 1040 for
the year 2007 will be
33.5 hours**

Source: IRS Instructions, page 84

Tax Fact

The IRS has reported that the average time to prepare a Corporate Income Tax Return for the year 2007 will be **65.75 hours**

Source: IRS Instructions, page 19

This Does NOT Include Additional Time to Prepare other Attached Schedules – for Example, Schedule M-3 will take an **Additional 78.55 hours**

Tax Fact

**21% of Printed Tax
Returns that are
Filed Contain an
Error**

Source: www.IRS.gov

MEMORABLE QUOTES

“Another drag on our economy is the **current tax code, which is a **complicated mess**, filled with special interest loopholes, saddling our people with more than 6 billion hours of paperwork and headache every year.”**

President Bush

Schedule J to Form 1118

Name of the Schedule

**Separate Limitation Loss Allocations and
Other Adjustments Necessary to
Determine Numerators of Limitation
Fractions, Year-End Recharacterization
Balances, and Overall Foreign Loss
Account Balances**

**According to the IRS it takes 89 hours and 15 minutes
to Prepare the Record Keeping for this Form**

Part of Section 509(a) Reads:

For purposes of paragraph (3), an organization described in paragraph (2) shall be deemed to include an organization described in section 501(c)(4), (5), or (6) which would be described in paragraph (2) if it were an organization described in section 501(c)(3).

One Sentence in Section 341(e)(1) includes:

- ✓ 342 words
- ✓ 25 parentheticals
- ✓ 17 commas
- ✓ 2 dashes
- ✓ 1 period.

MEMORABLE QUOTES

“Nuclear physics is much easier than tax law. It's rational and always works the same way.”

Jerold Rochwald

The following is the section 1.170A-12(e)(2) formula for the "special factor" used for "the valuation of a remainder interest following two lives":

$$\left(1 + \frac{i}{2}\right) \sum_{t=0}^{n-1} v^{(1+i)t} \left[\left(1 - \frac{l_{x+t+1}}{l_x}\right) \left(1 - \frac{l_{y+t+1}}{l_y}\right) - \left(1 - \frac{l_{x+t}}{l_x}\right) \left(1 - \frac{l_{y+t}}{l_y}\right) \right] \left(1 - \frac{t}{2n} - \frac{t}{n}\right)$$

MEMORABLE QUOTES

*This [preparing my
tax return] is too
difficult for a
mathematician, it
takes a
philosopher.*

Albert Einstein

