The 2023 Tax Filing Season

Compliance, Complexity, and the Challenges Ahead

May 23, 2023
Five Key Takeaways

1. The Tax Code Remains Enormously Complex
2. The IRS Administers the Code, They Don’t Write It
3. Congress Tinkers With the Code Every Year, Often Adding Complexity
4. $80 Billion in Supplemental Funding an Opportunity to Modernize
5. Taxpayer Services Initiatives in the SOP Are Ambitious
Opportunity Costs and Out-Of-Pocket (OOP) Costs for Tax Compliance, 2017-2022
Source: NTU Foundation

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<th>Year</th>
<th>Opportunity Costs</th>
<th>OOP Costs</th>
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<tr>
<td>2017</td>
<td>$271.91</td>
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<td>2018</td>
<td>$273.18</td>
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<td>2019</td>
<td>$270.86</td>
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<td>2020</td>
<td>$220.31</td>
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<td>2021</td>
<td>$248.61</td>
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<td>2022</td>
<td>$259.57</td>
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Complexity in the Code

1040 Instruction Booklet Pages, 1935-2015
Source: NTU Foundation

Number of pages

<table>
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• Politicians and sometimes taxpayers criticize the IRS for poor service or poor administration of the tax code
• Some critiques are legitimate:
  • The IRS lags behind the private sector on online, mobile, and digital services
  • The agency dealt with severe paper backlogs throughout the COVID-19 pandemic
• But...
Congress Bears Significant Responsibility for Complexity

A partial list of laws since 2019 with a major effect on the tax code and/or tax administration:

• The Taxpayers First Act of 2019
• The Further Consolidated Appropriations Act of 2020 (included the SECURE Act and extenders)
• The Families First Coronavirus Response Act
• CARES Act
• The Consolidated Appropriations Act of 2021
• The American Rescue Plan Act
• The Infrastructure Investment and Jobs Act
• The CHIPS and Science Act
• The Inflation Reduction Act
IRA Funding is an Opportunity

Projected IRS Discretionary Appropriations and IRA Outlays, FYs 2023-33

Source: CBO

Projected IRS Discretionary Appropriations (CBO, May 2023)  Projected IRS IRA Outlays (CBO, September 2022)
But Lawmakers Will Need to Mind the Spend Plan

IRS Projected Obligations Through FY 2024, by IRA Funding Account

Source: IRS SOP

- Business Systems Modernization
- Enforcement
- Operations Support
- Taxpayer Services

Billions of dollars

Total Appropriated Through 2031
Amount Obligated Through 2024