

The one thing that millions of Americans will not be saying at the end of this week is, “Thank goodness, it’s Friday.”

That’s because this Friday is April 15, the annual deadline for filing federal income tax returns – a duty of citizenship that provokes anxiety, confusion and even anger in many taxpayers every year.

Without question, the Internal Revenue Code has become a maze of complexity that confounds millions of Americans. It treats many taxpayers unfairly. And it creates an opportunity – some would say an incentive – for those who would exploit its complexity to avoid compliance.

As Nina Olson, the National Taxpayer Advocate, stated in December in her Annual Report to Congress: “The most serious problem facing taxpayers and the IRS alike is the complexity of the Internal Revenue Code. . . . The only meaningful way to reduce these compliance burdens is to simplify the tax code enormously.”

Anyone who doubts that observation should consider the facts.

The IRS now prints more than 1,000 publications, forms and instruction booklets. The tax code and regulations themselves have grown to more than 60,000 pages. And despite repeated pledges by Republicans to simplify our tax laws, the tax code and regulations actually have increased by more than 10,000 pages over the last four years.

Four common forms – Form 1040 and Schedules A (Itemized Deductions), B (Interest and Ordinary Dividends) and D (Capital Gains and Losses) – take an estimated 28 hours, 30 minutes to prepare, according to the IRS. In 1988, the paperwork burden for these forms was 17 hours, 7 minutes.

Even the simplest form in the IRS inventory, the 1040EZ, requires 3 hours, 43 minutes to prepare, up from 1 hour, 31 minutes in 1988.

Not surprisingly, the costs of tax complexity are staggering – more than \$100 billion a year in accounting fees and the value of taxpayers' time to complete their returns, according to Joel Slemrod, a tax expert at the University of Michigan.

Equally unsurprising is the fact that millions of Americans, when confronted with such a complicated burden, handoff their tax preparation to professionals. Nearly 60 percent of individuals do that today, as do more than 85 percent of businesses.

Clearly, our tax system must be made simpler, fairer and more efficient. That is why every American should closely monitor the work of the Advisory Panel on Federal Tax Reform, a bipartisan group appointed by President Bush in December.

The Advisory Panel must present options for reforming the Internal Revenue Code before July 31. I believe it is imperative that Congress act on tax reform during the 109th Congress.

For example, we must defuse the Alternative Minimum Tax (AMT), a parallel tax structure imposed on top of the regular tax structure. The AMT was enacted in 1969 to ensure that high-income Americans pay their fair share. But it increasingly ensnares middle-income taxpayers because the amount of income exempt from the AMT is not indexed for inflation.

The AMT is hard to anticipate, complicated (taxpayers must fill out a 65-line form to determine whether they owe the AMT at all), and growing. More than 3 million Americans will be subject to the AMT in 2005. In five years, that number will explode to nearly 35 million!

We also must consider overhauling the corporate income tax, and focus on eliminating tax breaks that encourage American companies to move jobs overseas rather than create jobs here at home.

In addition, we need to simplify tax rules for small businesses, which along with the self-employed bear the greatest tax compliance burden – nearly 60 hours per return. The Joint Economic Committee reported in 2000 that small businesses face tax compliance costs that are more than three times larger than taxes paid.

And, we must streamline tax incentives for education and retirement savings. For example, the tax code provides more than a dozen tax-advantaged retirement planning vehicles that are subject to varying rules that govern eligibility, contribution limits, tax treatment of contributions and distributions, withdrawals, the availability of loans, and portability.

Each of these plans was created to encourage taxpayers to save for retirement. However, as the National Taxpayer Advocate warns, the complexity of rules may actually discourage employees from taking advantage of such opportunities.

The American people are acutely aware of the unnecessary complexity of our tax laws, as well as the dire need for reform today. This is not an issue that Congress can tackle on its own; Presidential leadership is essential. The time for tax reform is right. We must seize it now.

Congressman Hoyer, the second-ranking Democrat in the House of Representatives, is a leading proponent of tax reform and simplification. He represents Maryland's Fifth Congressional District.