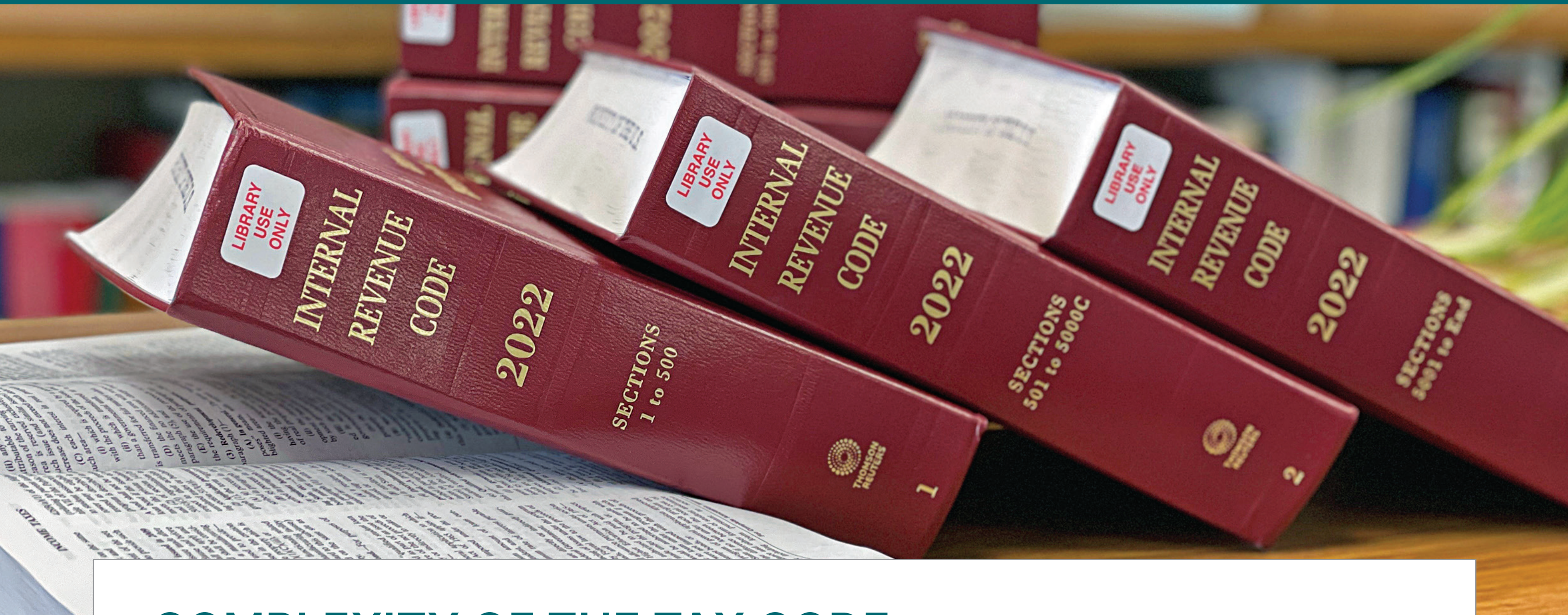


COMPLEXITY OF THE TAX CODE

The Complexity of the Tax Code Burdens Taxpayers and the IRS Alike

WHY THIS IS A SERIOUS PROBLEM FOR TAXPAYERS

U.S. tax laws are overly complex. As a result, they burden America's taxpayers and negatively impact voluntary tax compliance. The current system of preparing and filing tax returns is too difficult, costly, and time-consuming. This is especially true for small businesses and taxpayers accessing social benefits through the tax system. Some of this complexity exists because the Internal Revenue Code (hereinafter "the Code") does not mirror modern life and has failed to evolve with the times. Making the rules easier to understand and follow would improve tax administration and compliance.

This Most Serious Problem looks at legislative and informational improvements to simplify and modernize the Code. Simplifying the Code means making it easy to understand, easy for the IRS to administer, and less burdensome on everyone, whether they are preparing tax returns, trying to comply with tax laws, or being audited. Simplifying the Code is the most important step Congress can take to reduce taxpayer compliance burdens, increase self-assessment and voluntary compliance, and improve the processing efficiency and verification of annual income tax returns.[1] Simplification is essential to the integrity of the U.S. tax system and to the broader civic participation of American taxpayers.[2]

EXPLANATION OF THE PROBLEM

The Code contains 9,834 code sections – many containing detailed subsections – and a six-volume set of corresponding regulations.[3] Many of these sections are unnecessarily complex and archaic as they were drafted decades ago, and the tax laws impose a complex system of requirements that do not match today's world. Complexity is a problem because complex rules lead to confusion, errors, and distrust, which reduces self-assessment and voluntary compliance. Some examples of how family structures are changing, and families, businesses, and taxpayers earn a living in the 21st century include:

- Family units are increasingly diverse with multigenerational households, split custody, blended families, and nonmarried cohabitating partners.
- We conduct business in new ways. The internet has expanded opportunities for people to start new types of businesses.
- Families and businesses are more mobile than ever. Especially during the COVID-19 pandemic, taxpayers may have relocated frequently. Individuals may be "digital nomads" whose residency may not be fixed. Businesses may operate remotely without fixed business locations.
- The concept of work has changed. The internet has allowed for more flexible work arrangements. Those earning income may not be tied to just one employer or fixed location. There are many gig economy workers, independent contractors, and small or microbusiness owners.

While technological innovation reduces barriers to entry for starting a business, the tax burdens endure. The Code must be modernized and adapted.

ANALYSIS

Simplicity matters so that taxpayers understand the rules and can comply with them efficiently.[4] However, "simple" does not necessarily equate to fewer words; in the context of the Code, it means the tax laws should be clear and easy for a taxpayer to understand, rely on, and use. The goal should be to draft clear and easy to understand laws. But just as important, Congress should draft fair, easily administrable laws with an eye toward reducing burden on both taxpayers and the IRS.

While the Code Does More Than Raise Revenues, Complexity Is Avoidable

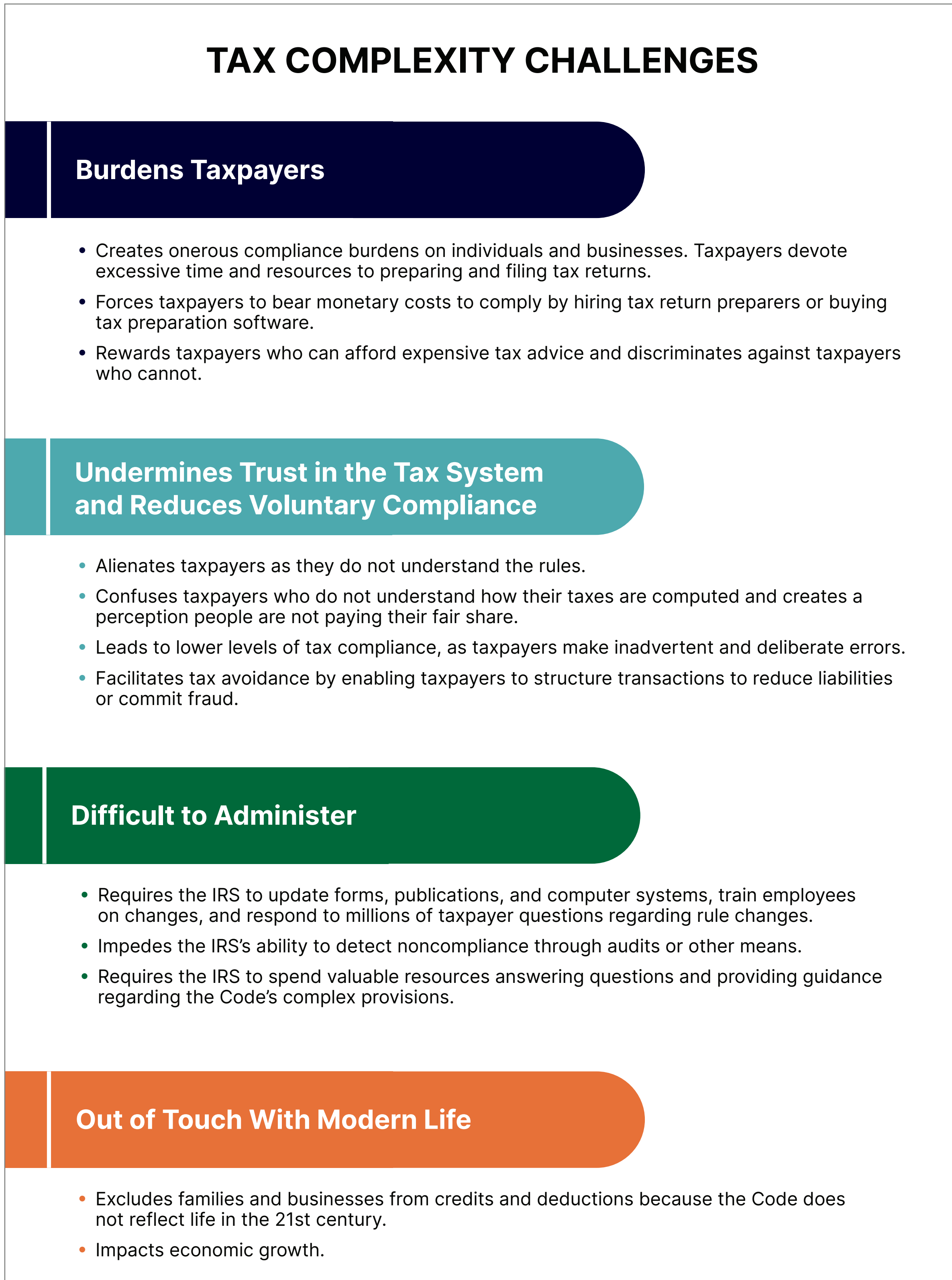
The Code is the product of legislative changes throughout the decades. Much of the complexity stems from the desire to use the tax laws for more than raising revenue. It is a method of implementing social and economic policy objectives.[5] For example, Congress has entrusted the IRS to administer many social benefits through the tax system, such as the Earned Income Tax Credit (EITC), Child Tax Credit (CTC), Additional Child Tax Credit (ACTC), and the American Opportunity Tax Credit (AOTC). These programs provide critical financial assistance to American taxpayers.

The realities of the legislative process have produced a complex set of sunsets and phase-outs. As tax provisions are enacted through the reconciliation process, the "Byrd Rule" creates the need for expiration dates on laws that affect the budget.[6] This means many tax provisions are what have been called by one external stakeholder "Hokey Pokey" provisions: one year they are in the Code, and one year they are out.[7] The uncertainty jeopardizes tax compliance and administration of the tax system, and taxpayers struggle to learn the rules from one year to the next. It makes it difficult for individual taxpayers to plan. It makes it hard for small businesses to plan capital expenditures.[8] It is also hard for the IRS to keep up with the changes. It must edit forms, publish guidance, train staff, and update computer systems.[9] This is important as taxpayers look to the IRS to provide explanations via its publications, website, customer service telephone lines, and online chat functions.

Some argue this complexity is inevitable, given the use of tax expenditures and non-revenue-raising uses of the Code, and may even be necessary to achieve fairness or provide social benefits.[10] However, it is the position of the National Taxpayer Advocate that there is room to simplify and modernize the current Code to make it more accessible to America's taxpayers and more administrable by the IRS.

Complexity creates the following issues, as shown in Figure 2.2.1.

FIGURE 2.2.1



Americans Spend So Much Time and Money on Tax Preparation Because the Code is Burdensome

Time and Financial Burdens

The financial burden and time commitment for complying with our nation's complex tax system is astronomical. For example:

- An individual taxpayer is estimated to spend 13 hours and $240 out-of-pocket costs to prepare and file one annual tax return.[11]
- For a small business, the time and money spent on tax compliance is roughly 82 hours and $2,900.[12]
- Individual taxpayers spent a total of 897 million hours in fiscal year (FY) 2022 on recordkeeping. This is in addition to the 1.15 billion hours spent on tax preparation of individual returns.[13]
- Business entities spent about 1.14 billion hours and $48.3 billion on tax preparation in FY 2022.[14]
- Many small businesses/sole proprietorships file a Schedule C to report their business income and expenses. For tax year (TY) 2021, about 16 percent of individual income tax returns filed for that year included a Schedule C.[15]
- For many small businesses, time is their most valuable asset. As an external stakeholder stated in a discussion with TAS, each hour spent on tax compliance is an hour less they can spend assisting a customer.[16] Some are spending the equivalent of two full weeks a year on tax return preparation.[17]
- In FY 2022, U.S. taxpayers collectively spent $89.7 billion on tax preparation and 3.2 billion hours on recordkeeping and tax preparation.[18] If this time were monetized, this constitutes $94.6 billion spent on tax preparation in FY 2022 alone.[19] The enormity of the dollars spent on this roughly equals the gross domestic product of the Dominican Republic.[20]
- The IRS hourly paperwork compliance burden is over six billion hours.[21]
- It is estimated that tax compliance burden is 71 percent of the annual federal paperwork burden.[22]

The time spent on recordkeeping and tax preparation is excessive. This is time business owners could spend on growing their businesses. It is time individual taxpayers could earn wages or care for family members. The estimates may be low as they only include the cost of preparing federal income tax returns, not state tax documents. They do not include the costs of education, government administration, and tax litigation.[23]

Since the National Taxpayer Advocate last addressed complexity as one of the Most Serious Problems in the 2014 Annual Report to Congress, we can reflect on some progress toward simplification.[24] The Tax Cuts and Jobs Act (TCJA) of 2017 increased the standard deduction significantly while eliminating certain itemized deductions.[25] As a result, we can see a significant shift toward claiming the standard deduction rather than itemizing deductions (see Figure 2.2.2). Pre-TCJA, 31 percent of tax returns claimed itemized deductions, and 69 percent used the standard deduction. Since TCJA, only 9.7 percent of returns claim itemized deductions, and 90.3 percent of returns use the standard deduction.[26] This signifies a reduced time burden for individual taxpayers, who no longer have to collect records or compute itemized deductions. This is a small step on the path toward simplification. Yet, the National Taxpayer Advocate notes this was a policy decision with a negative financial impact on many who previously benefited from Schedule A deductions like uncapped state and local taxes and unreimbursed employee business expenses.

FIGURE 2.2.2, Tax Returns Claiming Standard Deduction Versus Itemized Deductions[27]

	Pre-TCJA		Post-TCJA							
	TY 2017		TY 2018		TY 2019		TY 2020		TY 2021 (Through September 2022)	
	Count	Percent	Count	Percent	Count	Percent	Count	Percent	Count	Percent
Standard Deduction	105,674,873	69.0	137,121,824	88.7	148,776,754	89.5	145,883,368	90.3	132,909,065	91.3
Itemized Deduction	47,453,918	31.0	17,471,552	11.3	17,455,642	10.5	15,745,379	9.7	12,701,725	8.7
Total	153,128,791	100.0	154,593,376	100.0	166,232,396	100.0	161,628,747	100.0	145,610,790	100.0

Costs and Risks

It is costly to keep records, comply with the Code, and prepare and file tax returns, and additional complexities arise regarding the time necessary to retain records. The whole process is stressful. Most taxpayers want to do the right thing; they want to comply. But it is difficult to do it on their own. Often, they are compelled to pay for tax software or tax professionals to help them understand their tax obligations. In TY 2020, 92.7 percent of taxpayers filed returns using tax software.[28] For TY 2021, of the individual tax returns filed through October 2022, 96 percent were filed via tax software.[29] This imposes a monetary cost on those taxpayers who paid for software to prepare and file their returns. Because the law requires filing annual tax returns, the government should bear the costs associated with filing. The high cost of return preparation driven by the complexity of the Code creates a disparity between those who can afford tax professional assistance and those who cannot. Low-income filers face higher compliance costs relative to their resources.[30]

Complex rules make claiming refundable credits too difficult without software or professional assistance. This costs money and drains resources from households.[31] For TY 2020, over half of the taxpayers claiming the EITC (50.4 percent), used a paid tax return preparer.[32] For TY 2021, over 15.2 million people claiming the EITC paid for tax return preparation essentially to claim a public benefit provided by Congress.[33] The high cost of tax return preparation may drive taxpayers to rely on noncredentialled tax return preparers who may not adhere to the rules either intentionally or unintentionally, potentially causing problems for taxpayers down the road. The Department of the Treasury and the National Taxpayer Advocate believe unscrupulous and unregulated tax return preparers contribute to refundable credit noncompliance, fraud, and improper payments.[34] An improper payment is any payment that should not have been made, was made in an incorrect amount, or was made to an ineligible recipient.[35] For FY 2021, the IRS calculated and reported the following dollar amount and percentage rate of improper payments for three of its high-priority programs susceptible to improper payments:

- EITC: The IRS estimates 28 percent ($19.0 billion) of the total EITC payments of $68.3 billion were improper.[36]
- ACTC: The IRS estimates 13 percent ($5.2 billion) of the total ACTC payments of $39.4 billion were improper.[37]
- AOTC: The IRS estimates 26 percent ($1.9 billion) of the total AOTC payments of $7.1 billion were improper.[38]

Taxpayers suffer the consequences, as they are ultimately responsible for any tax liabilities resulting from these improperly prepared returns.[39] Moreover, these errors increase burdens to tax administration and negatively impact the tax gap.

Complexity Undermines Public Trust, Self-Assessment, and Voluntary Compliance

The complexity of the Code undermines public trust in government and the IRS; conversely, simplifying the Code would enhance understanding and public confidence in the fairness of the tax system.[40]

Taxpayers may make inadvertent mistakes due to misunderstanding the law. The IRS may assess penalties against people who made every effort to comply with the law. This erodes trust in the system and may inhibit self-assessment and voluntary compliance, the bedrock upon which our tax system is based. It further erodes public trust in our government. The Code should be drafted clearly and administered fairly and equitably by the IRS with timely guidance to inform taxpayers.

"…[E]nforcement of the law is not only a means to raise revenue. It is also a matter of fundamental fairness. It is important for honest taxpayers to know that, when they file their taxes accurately with the IRS, other people are doing the same." -Secretary Janet Yellen[41]

Complexity also creates opportunities to engage in tax fraud or aggressive tax avoidance maneuvers. Fraudsters seek refuge behind the complexity, as it may be difficult for the IRS to detect noncompliance. In FY 2022 alone, the IRS assessed fraud penalties totaling $306,823,808.[42]

The combination of inadvertent mistakes, reduced self-assessment and voluntary compliance, and outright fraud generates a significant financial risk to tax administration. Complexity contributes to the "tax gap," which is the tax liability owed versus what is voluntarily paid.[43] The most recent estimates of the tax gap place it at $496 billion, with projections growing to $540 billion per year.[44]

Modernize the Internal Revenue Code: The Code Is Outdated and Does Not Reflect Modern Society

Outdated Code Does Not Fit Modern Families

The American family has changed, and the Code has not kept up, as divorce, cohabitation, blended families, and multigenerational family arrangements have become more common.[45]

BLENDED • COHABITATION • DIVORCE MULTIGENERATIONAL

The American family has changed, and the Internal Revenue Code has not kept up.

Childcare arrangements are increasingly challenging,[46] as it has become common for children to split their time between different households, and an increasing number live with or are supported by non-parent relatives.[47] Only 51.6 percent of children living in families with incomes at or below 200 percent of the Federal Poverty Level were in families with married couples.[48] Children of low-income households were more likely to live with a single parent or in multigenerational households, a cohabitating household, or a family with at least one non-biological child, as compared to children of higher income families.[49] The qualifying child rules for EITC and ACTC should more accurately reflect their target population.[50]

The individual income tax laws are structured so an individual taxpayer files a return once a year based on a filing status such as being single or part of a family unit. The unit is based on legal relationships, child residency, and support. There are five child-related provisions that use the definition of qualifying child: Head of Household (HoH) filing status, Child and Dependent Care Credit, CTC, EITC, and the dependency

exemption.[51] The Code and the way child credits are structured were established when the traditional family was a married two-parent household. Determining who can claim a child, given the outmoded standards, leads to administrative conflicts, with many children being excluded entirely.[52] The rules do not allow for more than one caregiver to claim the same child; they instead have a complicated system of tiebreaker rules that are hard for even tax professionals to apply.[53]

Selecting the applicable filing status is also difficult to understand. Many taxpayers are not formally divorced or legally separated but are living separate lives. The IRS prohibits them from claiming HoH filing status unless they meet additional requirements of IRC § 7703(b).[54] If they select the married filing separately status but do not have access to the Social Security number for their estranged spouse, they are forced to paper file.[55] Unfortunately, for the 2020 through 2022 filing seasons, paper filing a tax return prolonged the time it took to receive a refund by many months.[56] That delay has an impact on those already facing financial hardships. A study has shown that even a one-week delay in the refund would put 30 percent of families in a financial situation that would prevent them from paying bills on time.[57] The National Taxpayer Advocate continues to call for the IRS to enable all taxpayers to e-file tax returns.[58]

Outdated Code Excludes Children

Congress should adapt the Code to ensure children can access tax benefits. As the cost of housing increases, households may also include multiple unrelated working adults and cohabitating families. Data shows families are moving to less fixed household types where the composition changes through the course of the year.[59] The standards used to determine eligibility may exclude children not in traditional childcare or housing arrangements.

The refundable credits, including EITC and ACTC, are meant to provide financial support to those caring for children. However, the current requirements for these credits leave claimants who make errors exposed to examination and exclude children in need of aid from accessing tax benefits.[60] Furthermore, EITC and ACTC are directed toward a population of taxpayers least equipped to navigate its complexity.[61]

Qualifying Child: Uniform Definitions Should Be Uniform

The term qualifying child is defined in IRC § 152(c). It is meant to be a common definition throughout the Code, yet there are confusing and complicated deviations from this uniform definition. Figure 2.2.3 illustrates the complexity of these deviations.

For example, a qualifying child for EITC must be under 19 (or 24 if a student), while a qualifying child for the CTC must be under 17.[62] IRC § 152(c)(2) lists different qualifying "relationships" that would make someone a qualifying child for benefits like the CTC or EITC. This list includes children, grandchildren, stepchildren, nieces, and nephews. In the case of a taxpayer who is married but seeking to be treated as unmarried for claiming the HoH status, the list is more limited. Only a child or stepchild – *not* a grandchild – will allow the taxpayer to meet the requirements to be considered unmarried for HoH filing status.[63] These variations are complex and needlessly confusing. Not surprisingly, many taxpayers do not understand the differences in requirements, so they assume qualifying for one automatically means they qualify for the other.[64] Uniformity on qualified child requirements throughout the Code would reduce complexity. The National Taxpayer Advocate recommends modernizing the definition of a qualifying child so the rules should reflect real-life living arrangements.[65]

FIGURE 2.2.3, Definitions of Qualifying Child[66]

	IRC § 152 Qualifying Child Common Definition	Deviations
Relationship Test	Child or descendant of such a child, or brother, sister, stepbrother, stepsister, or descendant of any such relative	**Head of Household:** For a married person seeking to be treated as unmarried for claiming HoH status: only child or stepchild; not grandchild
Residency Test	Same principal place of abode as the taxpayer for more than one-half of the year	**EITC:** Abode must be in the United States
Age Requirement	Must be under 19 or 24 if a student	**CTC:** Must be under 17
Support Test	Has not provided over one-half of individual's own support for the calendar year	**EITC:** Does not apply this test
Other Requirements		**EITC and HoH:** Do not apply special rules for divorced parents from IRC 152(e) **Dependent:** Must be a citizen, national of the United States, resident of the United States, or a contiguous country (*i.e.*, Mexico or Canada) unless adopted by a citizen or national of United States **CTC:** Must be a citizen, national, or resident of the United States

Illustration of How the Requirements Exclude Taxpayers

IRC § 152(c)(1)(B) requires the qualifying child to have the same principal place of abode for more than one-half of the year as the individual claiming the child as a dependent. This residency test results in the greatest number of erroneous EITC claims.[67] This may result from more complicated custody and childcare arrangements. If a child lives between parents or other caregivers' homes, the child may be excluded entirely from receiving tax benefits.

Example: Children Are Excluded From Social Benefits

A taxpayer who is a single mother works in a hospital on the night shift every weekday. She has two children and earns $31,200 a year. She relies on the grandmother of the children for childcare. The children stay with the grandmother for part of the year and attend school in the school district where the grandmother lives. The children live with their father for three months over the summer. However, this mother provides most of the financial support for her children throughout the year.

When this taxpayer prepares her taxes, she attempts to figure out if she can claim the EITC and CTC for her children. She reads the instructions for Form 1040 (114 pages), which informs her she may need a Schedule 8812. She reads the section on EITC, which points her to IRS.gov/EITC. She visits the website, which provides a dizzying array of links about the credit. She looks at Publication 596, Earned Income Credit (44 pages). She has spent several hours learning that her children must reside with her for over six months (183 days) to be able to claim them on her return.[68] A year of 365 days minus 90 days with their father over the summer leaves 275 days. Her children are with her mother 180 nights a year (five nights a week for nine months). The children reside with her only 95 days a year. She wonders if her mother would be able to claim her children to receive the EITC funds. She decides to pay a tax preparer to help her figure this out. She pays $240. The preparer explains that no adult meets the 183-day requirement. Even if the children had stayed with their grandmother enough days to meet the threshold, she was retired and only received Social Security, which does not count as earned income. The children will not have access to those funds since no parent or caregiver meets the criteria. This taxpayer just spent

about 13 hours and at least $240 on tax preparation services to determine she is not entitled to credits that would help her support her family, a result inconsistent with Congress's intent when creating these credits.[69]

Complex Rules Are Difficult for the IRS to Administer

The web of rules that govern qualifying children are inconsistent, unintuitive, and outdated. The IRS lacks independent sources of information to verify whether the taxpayer claiming a child meets the multitude of requirements.[70] The shift to administering social benefits through the Code places tax return preparers in difficult positions. They are not social workers; yet they are now engaged in a due diligence process of reconciling all the benefits to which a taxpayer may or may not be entitled.[71]

According to the Department of the Treasury's FY 2020 Report, EITC claimants account for more than 40 percent of audits conducted on individual taxpayers.[72] In more than 40 percent of cases where the IRS originally flagged the EITC claim as invalid, and the taxpayer received assistance from TAS, the IRS ruling was reversed.[73] Claiming EITC involves over 20 separate determinations, including tiebreaker rules.[74] Seventy percent of improper EITC payments are from authentication errors.[75] This involves authenticating the relationship, residency, filings status, and custodial arrangements. "Qualifying child" errors are the most significant EITC overclaim in terms of dollars, caused by the failure to provide proof of the residency test and the relationship test.[76] The IRS does not have a database to show relationships between taxpayers or verify where children live or the other information necessary to validate the accuracy of this refundable credit prior to issuing a refund. The IRS does not have the statutory authority to address these issues at the point of receiving the return; instead, it addresses the overclaims through a long audit process.[77]

To reduce complexity in administering the rules around the EITC, the National Taxpayer Advocate has recommended separating the EITC into two credits: a worker credit and a child credit.[78] When Congress enacts a provision, the data used to substantiate entitlement to the provision should be data that is accessible, such as using the vehicle identification number to confirm entitlement to electric vehicle credits.[79] The annual wage data (Forms W-2) required to verify the worker credit is already available to the IRS, and it can easily use the data to verify entitlement to the worker credit.

Furthermore, complexity is hard for the IRS to manage. With each addition to the Code, the IRS must generate forms, draft publications, update computer codes, train staff, and answer millions of telephone calls. The IRS cannot handle the volume of inquiries it receives currently.[80]

Contemporary Small Businesses

It is not only families that have changed dramatically since the enactment of the Internal Revenue Code of 1986. Modern businesses also pose a new reality. The existing tax laws do not reflect the current work environment.[81] In 2021, 16 percent of Americans earned money from the gig economy as independent contractors without withholding.[82] Taxpayers may take on multiple gigs to make ends meet. They receive information from multiple third-party platforms, making tax compliance difficult.[83] It can take 40 hours to learn about depreciation methods, recordkeeping, and reporting it on tax forms.[84] These gig economy workers do not receive tax guidance from the service platforms.[85] The National Association for the Self-Employed reported:

- Thirty-four percent of those who reported earning income from the gig economy did not know they needed to file quarterly estimated tax payments;[86]
- Forty-three percent had not set aside money to pay their taxes and did not know how much they owed;[87] and
- Ninety percent indicated they used a tax preparer or software, and over 50 percent of those who relied on the preparer or software paid over $150.[88]

Self-employed individuals, which includes gig workers, sole proprietorships, and independent contractors, must submit quarterly estimated tax payments.[89] The quarterly due dates are illogical. The first and fourth estimated payments are due two weeks after the close of the quarter while the second and third are due two weeks before the close of the quarter.[90] This is confusing and does not set up taxpayers for success. It is challenging for self-employed individuals with incomes that are highly variable to estimate and pay for periods of time that are inconsistent.[91] To address this inconsistency, Congress should amend IRC § 6654(c)(2) to reflect a standard date of the 15th day after the quarter ends.[92]

Another example of complexity was the legislative change reducing the reporting requirements from $20,000 to $600 on Form 1099-K.[93] On December 23, 2022, the IRS postponed changing this threshold until 2023 due to lack of guidance and taxpayer confusion.[94] In light of the challenges, the National Taxpayer Advocate would ask that Congress carefully consider the threshold and that the IRS issue guidance quickly.

Example: Small Business Taxpayers Burdened by the Code

In need of a more flexible schedule, in 2021, a taxpayer became a rideshare driver for a rideshare app. Before then, he had never been an independent contractor. In 2022, he must complete his annual taxes. The driver believed the rideshare app was tracking everything. In January 2022, he gets a Form 1099-NEC from the company reporting his income. In March, he goes to a return preparer to do his taxes. The return preparer asks for his records and the amount he paid in estimated tax payments. The driver tells the preparer he only has a Form 1099-NEC and can log into the rideshare app to see his trips. He did not keep any other records because he did not know anything else would be required. He also did not pay any estimated taxes because this is his first time hearing about such payments.

In the past, he had worked as an employee and was accustomed to having withholding taken from his paycheck. His preparer can glean from the app the total number of miles driven while on routes. The preparer can use that with the standard mileage rate of 62.5 cents per mile.[95] But the preparer tells him there is an option of using actual expenses with depreciation or an IRC § 179 deduction. They will have to run the numbers both ways to see which is more advantageous. This doubles the time it takes to calculate the expense deduction. The driver did not keep a mileage record of trips from his home to his first ride each day. His preparer informs him that if there were a home office, the mileage would be considered business mileage, but if not, those amounts would be considered personal.[96] This further complicates the ability to compute the allowable IRC § 179 deduction for the vehicle. The preparer tells the driver it may be too late for him and that he may face penalties for this year but explains his obligations for the next year.

A gig economy worker like the one described above and more traditional small business owners face many recordkeeping obligations. An alternative to this time-consuming burden could be a standard business deduction that would be a percentage of gross receipts.[97] It functions much like the option between claiming a standard deduction or itemizing deductions. Schedule C small businesses could have the option of claiming a standard deduction or, if their expenses are greater, they could maintain the necessary records and compute their actual expenses. A standard business deduction would accommodate gig economy workers, especially those paid by online platforms and who receive Forms 1099.[98] They could easily calculate gross receipts, take a standard deduction against it, and within minutes comply with their tax obligations. This could radically reduce the time burdens facing many small businesses.

CONCLUSION AND RECOMMENDATIONS

The issues raised above are only a fraction of the challenges caused by complexities throughout the Code. Other taxpayers, including overseas taxpayers, large corporations, multinational companies, partnerships, estates, and exempt organizations face their own issues due to Code complexity.[99] The tax laws should be simple enough for people and business owners to prepare their own returns or at least understand their returns. The Code should not inadvertently entrap taxpayers; rather, it should clearly delineate each taxpayer's obligations and benefits. The tax laws should identify and minimize areas of noncompliance. The Code should make it easy for the IRS to administer the tax laws while also reducing burdens on taxpayers and practitioners.

Congress has the unique opportunity to update the Code and simplify it in the process. Congress must remove the complexity in the Code and eliminate burdens on taxpayers. The National Taxpayer Advocate recommends simplifying and modernizing the tax laws to enhance understanding and public confidence in the fairness of the tax system, reduce taxpayer compliance burdens, and improve tax administration.

Legislative Recommendations to Congress

The National Taxpayer Advocate recommends that Congress:

1. Use uniform definitions throughout the Code.
2. Adopt a consistent and more modern definition of "qualifying child" throughout the Code.
3. Restructure the EITC and CTC by allowing separate worker and child credits to make it simpler for taxpayers and reduce improper payments.[100]
4. Amend IRC § 6654(c)(2) to set the estimated tax installment deadlines 15 days after the end of each calendar quarter (*i.e.*, April 15, July 15, October 15, and January 15).[101]

Endnotes

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17 *Id.*

18 IRS, RAAS: KDA (Oct. 14, 2022).

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