

## **How Much the Tax System Costs**

**I**ndividual taxpayers spend \$25 billion a year (\$179 each, on average) out-of-pocket, plus almost a whole day of their time, on average, preparing their tax returns, estimates the IRS.

The numbers vary by type of return, from \$29 and seven hours for Form 1040EZ to \$242 and 31 hours for Form 1040.

But the total cost of the tax system is much larger. According to the Government Accountability Office, adding the cost of filing corporate taxes and “efficiency costs” (such as changes in behavior driven by tax preparation, and transactions deterred by taxes), the minimum cost estimate is \$107 billion. That’s about 1% of gross domestic product (GDP). The most comprehensive estimates are from 2% to 5% of GDP—or up to more than \$600 billion, which would be more than \$5,000 a year for each American household!

Tax Analysts Doc. 2005-1388.