

Key Elements of the U.S. Tax System

TAX COMPLEXITY

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A. Simpler taxes have lower compliance costs—in both time and money—and may encourage taxpayers to use tax provisions aimed at helping people pay for socially desirable activities.

Simplification could improve the tax code in at least two important ways. First, simplicity would lower taxpayers' costs of complying with the tax system in time, money, and mental anguish. Second, simpler tax provisions are more likely to be used. Provisions aimed at encouraging specific activities, such as saving for college, would be more effective if people understood how they work.

Making taxes simpler could improve compliance by reducing inadvertent nonpayment of taxes. To some (uncertain) extent, people do not pay taxes because they do not understand the tax law. Evidence also suggests that people are more likely to evade taxes they consider unfair. People who cannot understand tax rules may question the fairness of the tax system and feel that others are reaping more benefits than they are.

Updated May 2020

Further Reading

Gale, William G., and Janet Holtzblatt. 2000. "[The Role of Administrative Issues in Tax Reform: Simplicity, Compliance, and Administration.](#)" In *United States Tax Reform in the 21st Century*, edited by George Zodrow and Peter Mieszkowski, 179–214. Cambridge: Cambridge University Press.

Graetz, Michael J. 1997. *The Decline (and Fall?) of the Income Tax*. New York: W.W. Norton and Co.

Steuerle, C. Eugene. 2001. "[Tax Simplification.](#)" Testimony before the US House of Representatives Committee on Ways and Means, Subcommittee on Oversight, Washington, DC, July 17.