Q. What are the benefits of simpler taxes?

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.

Further Reading

