Nine Thousand Pages of Taxes

Idea In Short

Understand the tax system as a complexity machine before debating rates. The code grew from 27 pages in 1913 to more than 9,000, compliance consumes 14 percent of revenue collected and the tax gap reaches 500 billion dollars. Learn the rules, use them legally and support simplification.

The Day Everyone Loathes

April 15 is tax day for individuals in the United States, with corporations facing their own deadline a month earlier, and it remains the date most people know and loathe. Workers take time off, hunt receipts, download bank statements and answer the interrogations of self-service software. Albert Einstein supplied the enduring epigraph: "The hardest thing in the world to understand is the income tax." The filing ritual itself teaches the lesson, because anyone completing the forms quickly notices loopholes, grants and handouts everywhere, evidence of a government that over-reaches with both parties comfortable doling favors to interest groups. Unlike corporations, the federal government faces no competitor, and monopolies rarely simplify. The headline number captures the drift: the tax code started at 27 pages in 1913 and now exceeds 9,000, a 330-fold expansion.1

Even the Collector Complains

The irony peaks at the source. The Internal Revenue Service (IRS) itself publishes reports lamenting the unnecessary complexity of the code, effectively begging Congress to stop the madness.2 The agency's own findings sketch the scale. If tax compliance were a stand-alone industry, it would employ 3.7 million people. The opportunity cost of documenting, filing, checking and contesting taxes, hourly rates multiplied by hours, equals about 14 percent of the revenue collected, meaning every 100 dollars the government receives costs 14 to gather. From 2001 to 2012, Congress made more than 4,600 changes to the code, roughly one per day. Overlap compounds the waste, with one analysis mapping 45 separate federal programs touching just preschool and daycare subsidies. Complexity breeds complexity, and the machine feeds itself. The self-parody extends to the agency's educational website, which at one point offered lessons letting students role-play tax lobbyists, raising the fair question of why tax dollars fund instruction in the politics of the tax code.

A Consulting-Grade Autopsy

Serious analysis of the mess exists, notably a 300-plus-page review published by a reform-minded senator's team under the name Tax Decoder, which takes a consulting-type approach to the code. Despite its subject, it reads well: plain English throughout, gaps and loopholes broken down by industry and interest group, a cost-benefit analysis attached to each provision, recommendations with implementation risks and a willingness to scrutinize every beneficiary, including hallowed groups such as the military. The table of contents alone works as a census of who benefits from everyone else's taxes. The document proves that the code can be analyzed like any other broken system: decompose, cost, prioritize, recommend.

Exhibits From the Madness

The specific findings read like satire and are not. The tax gap, money mistakenly unpaid or deliberately evaded, runs about 500 billion dollars, roughly enough to eliminate the budget deficit of the era. Of 145 million returns filed in 2011, more than a third carried zero tax liability or received refunds, an enormous administrative churn for no net collection. Over 1,600 filers reporting incomes above one million dollars paid no income tax at all, demonstrating that the more complex the system, the easier it is to game. More than 80 percent of the research and development tax credit flows to companies with over 250 million dollars in revenue, hardly the scrappy manufacturers the credit was meant to spur. Nonprofit status shelters organizations that strain the label, including one celebrity charity that raised 2.6 million dollars and distributed 5,000. And American corporate rates ranking among the world's highest push companies to park capital overseas, a move that is smart, legal and corrosive all at once.3

The Consulting Lens on Complexity

Consultants should study the tax code as the purest available case of unmanaged complexity, because every client organization runs a miniature version. The mechanics rhyme: each amendment served some constituency rationally, nobody owned the whole, sunset clauses never fired and measurement focused on additions rather than total burden. The remedies that work on corporate process debt would work here too: a zero-based review that makes every provision rejustify its existence, a complexity budget that forces one removal per addition and a single owner accountable for the end-to-end user experience of compliance. That no such machinery exists in the code is itself the diagnostic, since complexity without a countervailing force only grows. Clients drowning in policy manuals, approval chains and legacy exceptions are running the same experiment at smaller scale, and the 9,000-page endpoint is what awaits them.

A Game for the Well-Advised

The honest conclusion after wading through the evidence: this is largely a game played by special interest groups and educated bankers, lawyers and consultants who know how to optimize income, assets and equity. Complexity is not a bug for the players; it is the field they win on. The distributional consequence follows directly, since those who can afford sophisticated advice capture the breaks while ordinary filers subsidize the churn. Any 27-page code that becomes 9,000 pages has stopped being a revenue mechanism and become an influence marketplace.

Meanwhile, Play by the Rules

Two closing notes, one practical and one confessional. The confession: an extension was duly filed through the certified public accountant, for both personal and real estate taxes, which is the only reason time existed to write about taxes on April 15. The practical advice: whatever you think of the insanity of these breaks, you would be a fool not to take legal advantage of them, and merely researching the topic surfaces deductions most filers never claim. Support simplification loudly, comply carefully and claim what the rules allow. In a game you cannot exit, learning the rulebook is not cynicism. It is self-defense.

- 1Internal Revenue Code
- 2Taxpayer Advocate Service
- 3Internal Revenue Service

Summary

A 27-page code became 9,000 pages through daily amendments, overlapping programs and favors to interest groups, with even the IRS begging Congress to stop. Complexity feeds evasion, waste and gamesmanship by the well-advised. Until reform arrives, study the rules and use them.