



## Costly Complexity

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Many Americans are in the early stages of preparing all the documentation they need to file their tax returns, and are now asking themselves—or will soon ask—why does this have to be so complicated?

It's not easy to comprehend the scope of the minutia that Congress has perpetrated on its constituents, but some numbers might help. We consider a work of fiction to be somewhat long if it reaches 500 pages; the U.S. Tax Code is 74,000 pages, not counting the One Big Beautiful Bill, which hasn't been included in the most recent count. (It reportedly came to 1,200 pages, including 870 pages of tax provisions.)

The pre-OBBB pile of regulations and minutia is the equivalent of 518 long novels and would take the average reader approximately 12,333 hours to read all of it. And that's only if they could manage to comprehend the dense legalese.

Of course, over the years, our Congressional representatives put a lot of thought into what items should and should not be included when filing for taxes. To take some interesting examples, there's the important issue that candies containing flour should be treated as food, for tax purposes, while those without are taxed at an additional 5.25% rate. The Tax Code provides that parents of kidnapped children can continue to claim the child as a dependent until that child reaches the age of 18—unless the child is found to be dead in the meantime. But of course if the kidnapper happens to be a family member, Code Section 152(f)(6)(A) provides that the family must forego this deduction.

Our tax code specifies that a petting zoo built to entertain children of clients visiting your business establishment may be deductible as a business expense. Clarinet lessons for a child with an overbite can be claimed as a medical expense. If a woman makes her living as a dominatrix, then she can deduct the cost of leather clothing, whips and handcuffs.

Owners of professional sports teams are specifically allowed to count their player rosters as 'depreciable assets.' And, despite millions in profits and revenue, the National Football League, the National Hockey League, and the Professional Golfers Association tour are all classified,

under the Tax Code, as nonprofits, exempting their earnings from federal income taxes. (They avoid paying taxes, but they pay out salaries in the seven figures to their executives.)

There's a cost to building such complexity (not to mention unfairness) into how the government collects revenue. The Tax Foundation estimates that a total of 7.1 billion hours is needed by American citizens each year to comply with the tax code, representing an estimated \$388 billion in lost worker productivity. Total out of pocket costs for you and everybody else come to just under \$150 billion a year. Add the two together and the total comes to 1.8% of U.S. GDP—which is larger than the 1.7 percent of GDP that the corporate income tax raises.

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