

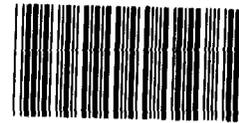
GAO

Briefing Report to the Chairman,  
Committee on Finance, U.S. Senate

May 1992

# INTERNAL REVENUE SERVICE

## Opportunities to Reduce Taxpayer Burden Through Return-Free Filing



146593

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United States  
General Accounting Office  
Washington, D.C. 20548

General Government Division

B-248524

May 8, 1992

The Honorable Lloyd Bentsen  
Chairman, Committee on Finance  
United States Senate

Dear Mr. Chairman:

You asked us to review the potential advantages and disadvantages of a return-free filing system and to comment on the feasibility of the system that the Internal Revenue Service (IRS) envisioned in its 1987 report. You also asked for information on alternative filing methods that IRS has developed and for us to look at other countries with return-free filing. On May 1, 1992, we briefed your office on the results of our work. This report documents that briefing.

#### RESULTS IN BRIEF

Estimates of the time and cost it takes U.S. taxpayers to prepare their individual returns are as high as 3 billion hours and \$30 billion annually. In response to a provision in the Tax Reform Act of 1986, IRS studied the feasibility of a return-free filing system under which it would prepare tax returns using information received from third parties. By adopting such a system, IRS would relieve millions of individual taxpayers of the burden of preparing and filing their own returns. IRS concluded that timing and cost considerations made such a system infeasible.

The return-free system studied by IRS could be redesigned to use new technologies and be more cost effective and more feasible. However, taxpayer resistance and the cost-effectiveness of other filing alternatives could make this an unattractive business proposition.

IRS is using available technology to provide various filing alternatives that have significant benefits, such as faster refunds and more accurate filings. Most of these alternatives are receiving favorable response. However, they all continue to require that taxpayers prepare and submit paper documents to IRS and that IRS send out refunds and bills.

Many foreign countries use a version of return-free filing, which they call final withholding. Under this system, an

employee's withholding becomes the tax. This system eliminates the need for many taxpayers to file tax returns. If adopted by the United States, final withholding could significantly reduce the number of individual returns, thereby reducing taxpayer burden and resulting in savings to IRS. However, this system shifts some burden to employers and taxing authorities.

OBJECTIVES, SCOPE, AND METHODOLOGY

Our objectives were to

- examine the potential advantages and disadvantages of a return-free system,
- comment on the feasibility of the return-free system studied by IRS in 1987,
- examine the alternative filing methods IRS has developed, and
- obtain information on other countries' experiences with return-free filing.

To accomplish these objectives, we reviewed a study of return-free filing that IRS had done in 1987; obtained information on various alternative filing methods now available to taxpayers; and met with officials from IRS' National Office, the Social Security Administration (SSA), the Federation of Tax Administrators, and the International Monetary Fund (IMF). We also contacted tax officials from Argentina, Germany, Great Britain, and Japan and reviewed information relating to their return-free tax systems.

We did our work between October 1991 and March 1992 in accordance with generally accepted government auditing standards.

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We are sending copies of this report to the Secretary of the Treasury, the Commissioner of Internal Revenue, and other interested parties. We will also make copies available to others upon request.

The major contributors to this report are listed in appendix VI. If you have any questions, please contact me at (202) 272-7904.

Sincerely yours,

  
Hazel E. Edwards  
Associate Director, Tax Policy  
and Administration Issues

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ABBREVIATIONS

IMF	International Monetary Fund
IRS	Internal Revenue Service
SSA	Social Security Administration

INFORMATION ON RETURN-FREE FILING

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## IRS' Concept of Return-Free Tax System

- Taxpayers would initiate process with a postcard.
- IRS would prepare returns using information documents.
- IRS would begin mailing returns to taxpayers in March.
- Taxpayers could amend returns if they are incorrect.

THE RETURN-FREE SYSTEM ENVISIONED BY IRS IN 1987 MAY BE FEASIBLE  
GIVEN NEW TECHNOLOGY BUT ITS VALUE AND ACCEPTANCE ARE UNKNOWN.

In 1987, in response to a provision in the Tax Reform Act of 1986, IRS explored the feasibility of a return-free tax system. Although labeled "return-free," the system studied by IRS would still involve preparation of a return. The burden of preparing that return, however, would shift from the taxpayer to IRS. IRS had the following objectives for such a system: (1) the system would be accurate--only a very small percentage of returns with omitted income or erroneously included income could be tolerated; (2) the returns would be prepared and sent to taxpayers as early in the filing period as taxpayers' paper returns are now processed; and (3) taxpayers would have an opportunity to review the returns and would remain responsible for the validity of their returns.

The system that IRS envisioned would require taxpayers to initiate the process by submitting a postcard. The postcard would contain identifying information (such as name, address, and social security number) and other data (such as information on dependents) needed to complete a return. IRS would then use information that it had available from wage and tax statements (Form W-2) filed by employers and from information returns (Form 1099) filed by financial institutions and other payors to calculate taxpayers' adjusted gross income and tax liability and to determine either the balance due or refund. Taxpayers would then receive a completed tax return in the mail, along with a refund, if applicable. If there was a balance due, taxpayers would be expected to pay the amount shown on the return. If taxpayers disagreed with amounts recorded on the IRS-prepared return, they could return it to IRS with an explanation. IRS could then make adjustments.

Under this system, employers and payors would be required to submit W-2s and 1099s by the end of January, instead of the end of February as is now required. IRS would spend the next 4 to 6 weeks processing these documents. Some taxpayers would receive their returns in early March, but most taxpayers would start receiving theirs in early April.

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## IRS Decided Return-Free System Was Infeasible

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- Difficult to process information documents by early March
  - Would cost over \$1 billion
  - IRS could not correct all errors on information documents and might mail incorrect returns
  - Would delay refunds
  - Could delay state returns
-

IRS Concluded This System Was Infeasible

IRS concluded that the return-free system it studied was infeasible for a number of reasons. IRS believed it would be very difficult to receive, verify, and post over 900 million wage and information documents in time to generate tax returns. Checking all of the documents for accuracy and correcting them in time to generate returns was, IRS believed, beyond its capabilities.

IRS processes 1099s, SSA processes W-2s. At the time of IRS' study, SSA was taking 12 months to process W-2s, and IRS was taking over 6 months to process all of the 1099s. Neither agency believed it was possible to reduce these processing times to 1 month.

IRS estimated that it would cost over \$1 billion and require about 17,000 additional staff to implement this program. Over half of these costs would be associated with establishing and operating 11 call sites for the purpose of correcting errors on wage and information returns. About 5 percent of the 1099s now contain errors. SSA does not track how many individual W-2s contain errors, but SSA officials said that as many as 10 percent of the magnetic media transmittals are returned because of errors. Additional errors are also detected when IRS matches the information coming from SSA to the information on documents attached to tax returns. Error correction is critical because without a complete file of accurate information documents, IRS could not be sure that any individual taxpayer's account was complete and accurate. To correct any errors, IRS believed that it would be necessary to call employers and payors because the current process of mailing the documents back to them for correction would be too slow.

IRS also pointed out that taxpayers might not have enough time to complete their state income tax returns if they did not receive their federal returns until early April. Taxpayers in 37 states need an income figure from their federal return to complete the state return. In addition, as noted by IRS, taxpayers would not receive refunds until April. Many taxpayers now receive their refunds earlier.

IRS estimated that 55 million individual taxpayers would be eligible to use return-free filing. This estimate included all taxpayers who were filing Form 1040EZ, most taxpayers who were filing Form 1040A, and a few who were filing Form 1040. IRS estimated that taxpayers, in total, would save about 8.8 million hours a year that they might have spent preparing returns.

IRS concluded that it was not feasible to implement a return-free system. IRS saw few benefits for itself in this system. Speeding up the processing of information returns could tangentially affect some other IRS programs but not significantly. The estimated savings to taxpayers (10 minutes for a 1040EZ filer and 30 minutes for a 1040 filer) was not seen as significant enough to justify the expense.

APPENDIX I

APPENDIX I

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## Even if Feasible, Return-Free May Not Be Good Business

- Barriers mentioned in 1987 study still exist today.
  - Solutions are possible through technology.
  - No market study was done to assess customer demand.
  - Other alternatives are available.
-

Return-Free System May Be Possible  
With New Technologies, but  
Taxpayer Demand Is Unclear

IRS still believes that the return-free system it studied in 1987 is not feasible.

SSA currently processes 95 percent of W-2s by the end of July. The remainder may not be completed until November or December, depending on how promptly transmittals containing errors are returned by employers. IRS now processes most 1099s by August. The number of W-2s and 1099s containing errors are still significant enough that it would take a massive effort to correct all of the data prior to return preparation. IRS has not costed out this option in recent years but still believes that the expense would be prohibitive.

We believe that solutions to the barriers identified by IRS in 1987 are possible through technology. Since 1987, IRS has made significant technological changes. More are expected as IRS implements its Tax Systems Modernization Program. These changes may eventually make return-free filing a viable option. For example, the Electronic Management System will allow IRS to electronically receive tax returns, tax information documents, and correspondence. Electronic transmissions would enable IRS to more quickly verify and correct information, such as names and social security numbers.

Although such initiatives are not intended to reduce input and processing time to the 4 to 6 weeks envisioned in the 1987 study, they do indicate that IRS may be able to significantly speed up input processing and error correction when the Tax Systems Modernization Program is implemented.

Even if the system were designed in such a way that made IRS' version of return-free filing less costly and time consuming, it is not clear that this would be a preferred business option for IRS. Among the considerations are taxpayer demand and alternative solutions. Taxpayers may not feel comfortable with IRS computing their tax liabilities and may not like getting their refunds later. The 1987 report said that IRS would do a market study to assess the demand for a return-free system. It never did. In addition, IRS has developed other alternatives to the traditional way of filing paper returns that may make more business sense than the kind of return-free system studied by IRS.

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## IRS Has Developed Alternative Filing Methods

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- Electronic filing allows taxpayers to transmit returns to IRS.
  - TeleFile allows 1040EZ filers to file returns using touch-tone phones.
  - 1040PC allows taxpayers to prepare returns on personal computers.
-

IRS HAS DEVELOPED ALTERNATIVE FILING METHODS

Appendix II includes basic information on four alternative filing methods that IRS has developed in an attempt to reduce taxpayer burden, speed up refunds, reduce the amount of paper IRS has to handle, and increase accuracy. The three most widely used methods allow taxpayers to file their tax returns electronically, over the phone, or through the use of personal computers. However, none of these options are return-free because they still require a return to be filed and refund checks or balance due notices to be processed.

---

# Advantages and Disadvantages of Electronic Filing

## **Advantages**

- Taxpayers get refunds faster.
- Returns are more accurate.
- Returns cost less to store.

## **Disadvantages**

- Returns must still be prepared.
  - Paid transmitter must be used.
  - It is not entirely paperless.
  - There is potential for fraud.
-

### Electronic Filing

Electronic filing allows IRS-approved tax preparers and transmitters to send tax returns over communication lines to an IRS service center. Electronically-filed returns bypass the service center's manual process for handling paper returns. Instead, the returns are transmitted directly to the service center's computer system, where the information is automatically edited, processed, and stored.

IRS started accepting electronically-filed income tax returns on a pilot basis in 1986 and began accepting them nationwide in 1990. Before 1991, the option of electronic filing was limited to taxpayers receiving a refund. Beginning in January 1992, IRS began nationwide acceptance of electronically-filed returns from individuals who owe--thus making electronic filing available to all taxpayers. To use electronic filing, taxpayers must either have an IRS-approved practitioner prepare and submit the return or take a return that they have prepared to an IRS-approved transmitter. In either case, the taxpayer will generally have to pay for the service. Our survey of preparers and transmitters who participated in the electronic filing program in 1991 showed, for example, that the median fee for transmitting a return electronically was \$25.

Electronic filing has several advantages. The most appealing advantage to taxpayers is the fact that they can receive their refunds in about 3 weeks or less. Because IRS' computer makes various checks before accepting electronic returns, these returns are more accurate than paper returns. In 1991, the error rate on electronically-filed returns was 2.8 percent compared to a 17-percent error rate for paper returns. Electronic returns are also less costly to store.

Despite its many advantages, electronic filing does not alleviate the burden of preparing a return. A return is still filed and IRS still needs to process it and either collect a balance due or issue a refund check. In addition, electronic filing is not entirely paperless. Taxpayers must still submit a signature document along with copies of relevant Form W-2s.

Electronic filing is gaining wide acceptance. IRS received about 7.5 million electronic returns in 1991. In 1992, as of April 10, about 10.4 million returns had been filed electronically.

Table I.1: National Statistics on Fraudulent Refunds

<u>Year and type of return</u>	<u>Number of returns involved</u>	<u>Amount of refunds claimed</u>	<u>Amount of refunds deleted</u>	<u>Refund deletion rate</u>
1988				
Paper	3,622	\$30,464,242	\$29,242,804	95
Electronic	68	133,925	74,644	55
1989				
Paper	3,326	7,244,981	6,170,617	85
Electronic	67	350,459	179,899	51
1990				
Paper	5,302	15,897,539	14,802,660	93
Electronic	411	1,192,054	487,101	40
1991				
Paper	5,422	32,273,983	30,653,428	95
Electronic	5,746	10,656,046	2,649,561	25
January 10 - March 13, 1992				
Paper	<sup>a</sup>	<sup>a</sup>	<sup>a</sup>	<sup>a</sup>
Electronic <sup>b</sup>	1,745	6,114,289	4,973,627	81

<sup>a</sup>Information on paper returns was not obtained.

<sup>b</sup>The data for electronic returns show a large increase from a comparable period in 1991. From January 1, 1991, through March 31, 1991, IRS had identified 731 fraudulent electronic returns involving \$1,680,740 in refunds.

Number of Electronically-Filed Returns  
Involving Fraudulent Refunds Is Increasing

As electronic filing has grown, so has the incidence of fraudulent refund schemes involving electronically-filed returns. Thus, IRS is faced with the difficulty of trying to promote a program that is beneficial to IRS and taxpayers while attempting to maintain the system's integrity by preventing, detecting, and stopping refund fraud. At the Committee's request, we have been assessing the marketing and compliance aspects of electronic filing. We expect to report on that work later in the year.

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# Advantages and Disadvantages of TeleFile

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## **Advantages**

- Taxpayers get refunds faster.
- Returns are more accurate.

## **Disadvantages**

- A return must still be prepared.
-

TeleFile

TeleFile is a system being piloted in Ohio that allows 1040EZ taxpayers to file their returns over the telephone. To qualify, a taxpayer must have filed a 1040EZ last year and must be living at the same address as last year. After excluding taxpayers who filed 1040EZs last year and who either (1) might not be able to file a 1040EZ this year or (2) might have moved, IRS estimated that about 700,000 Ohio taxpayers would be eligible to use TeleFile this year and that about 150,000 would actually use it. As of April 10, 1992, IRS had received about 121,000 TeleFile returns.

Using a touch-tone telephone, taxpayers enter identifying information and the amount of their wages, withholding, and interest. IRS' computer calculates the tax liability and any refund or balance due, immediately provides this information to the taxpayer, and asks if the taxpayer wants to file. If the taxpayer responds "yes," the return is considered filed and is processed like an electronic return. To complete the transaction, taxpayers are supposed to mail in a signed paper document containing the numbers they entered into the computer and the numbers the computer gave them. Taxpayers filing via TeleFile can expect to get their refunds in about 3 weeks.

As with electronic filing, TeleFile improves accuracy because the computer, rather than the taxpayer, is calculating the tax liability and any resultant refund or balance due. Although TeleFile reduces the burden on taxpayers by performing these calculations, the taxpayer still has to file a return, and IRS still has to process returns and issue refund checks. Next year, IRS may experiment with voice signatures, which could eliminate the need to mail a paper return.

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# Advantages and Disadvantages of 1040PC

## **Advantages**

- IRS has less paper to store.

## **Disadvantages**

- IRS has had difficulty processing 1040PCs.
  - A return must still be prepared.
  - Software must be purchased by taxpayers.
-

1040PC

A third variation on the typical tax return is the 1040PC. The taxpayer or a preparer prepares a return on IRS-approved commercial software. Rather than generating typical multipage tax forms, the software generates a 1-page form that captures information from most typical tax forms and schedules. The form consists of line numbers and entries where applicable. (An example of Form 1040PC is in app. III.) IRS estimated that 2 million taxpayers would use 1040PC in 1992. As of April 10, 1992, IRS had received about 983,000 of these returns.

By reducing the return to one page, IRS saves storage space. Taxpayer burden is not affected because the taxpayer must still prepare a standard return. Only the output is different. Information from one of the service centers indicates that IRS had a difficult time processing these returns in the beginning of the tax season. Because of code and edit problems, the error rate for this form was over 11 percent. IRS had anticipated a 5-percent error rate.

There are only two approved 1040PC software packages. One is being used by a commercial preparer and accounts for most of the 1040PC returns that IRS has received. A second package is available by mail order for \$25. IRS anticipates other software companies will be marketing 1040PC packages next year.

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## Final Withholding Is Used Worldwide

- Over 30 countries use some form of final withholding.  
Among them
    - Great Britain,
    - Japan,
    - Germany, and
    - Argentina.
-

FOREIGN COUNTRIES USE FINAL WITHHOLDING, A SYSTEM THAT SIGNIFICANTLY REDUCES THE NUMBER OF TAX RETURNS

Some foreign countries have systems that require no tax returns from many of their taxpayers. These countries use a system called final withholding. Under final withholding, an employee's withholding becomes his tax. Employees may not have to file tax returns unless they have income other than wages. While the final withholding system removes the burden of filing returns from many taxpayers, it transfers some of this burden to either businesses or the taxing authority.

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## How Final Withholding Works

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- Employees provide certain information to employers.
  - Either taxing authority or employer determines how much to withhold.
  - Employer periodically adjusts amount withheld.
  - Amount withheld for year is final, so no return needed.
-

Final Withholding Can Eliminate  
Large Numbers of Returns

Under final withholding, employees provide information to employers on such things as marital status and number of children. In some countries, the taxing authority takes this information and tells the employer how much to withhold. In other countries, the employer uses withholding charts to determine the amount of withholding. In both cases, sufficient amounts are withheld from employees' wages during the year to cover their tax liabilities. Employers adjust the employees' withholdings periodically to ensure that the total amount withheld by year's end is adequate. If taxpayers have no additional information to report and agree that the amount withheld fairly reflects their tax liability, no return has to be filed.

Interest and dividends are handled in a variety of ways. Some countries tax interest and dividends in a flat amount at the source (e.g., tax on interest would be withheld by the financial institution). Other countries require filing a tax return and reporting interest and dividends if they exceed a threshold.

Although there are circumstances that require a return and there are some factors, such as having a second employer or both spouses working, that require some adjustments, in four industrial nations where final withholding is used, millions of taxpayers have been able to meet their tax obligations without filing a return. In Great Britain for example, 23 million of the 26 million taxpayers eligible for final withholding did not file tax returns in 1991. Appendix IV includes information for three other countries that use final withholding.

A final withholding system would not serve all U.S. taxpayers. However, we believe that most of those taxpayers who now file 1040EZ returns (about 17.4 million in 1991) and many of those who now file 1040A returns (about 22.4 million in 1991) could be eligible.

A final withholding system would not only reduce taxpayer burden but also reduce the burden on IRS. IRS says it spends \$2.72 to process each 1040EZ and \$3.05 to process each 1040A (see app. V). Eliminating the need to process many of these forms could result in significant savings.

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## Shift in Burden Caused by Final Withholding

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- Many taxpayers no longer have to prepare returns.
  - Taxing authority administers system but processes fewer forms.
  - Employers calculate and withhold amounts equal to expected tax.
  - There are no more tax refunds.
-

Final Withholding Shifts Burden  
to the Taxing Authority and Businesses

The final withholding systems used around the world require either the taxing authority, businesses, or both to assume some of the burden of filing and paying taxes. The amount of burden depends on the structure of the final withholding system. As with IRS' return-free system, taxpayer acceptance is unknown. In addition, because many states use an income tax, any change such as this would have to be coordinated with state authorities.

The final withholding system, as it is used in other countries, provides differing amounts of burden on the taxing authority. Under the British system, information on an employee's tax status (family situation, deductions, etc.) is sent to the taxing authority. The taxing authority determines a code that is then sent to the employer. The employer uses this code to calculate the amount of tax. Changes in family situations require recomputation of the code. In other countries, however, the taxing authority is not as closely involved. The taxing authority's primary responsibility is to ensure that withholding tables are accurate enough to ensure that an employee's withholding is close to the employee's final tax.

Employer burden also varies between countries. Under the British system, the employer calculates the employee's tax for a given pay period and the cumulative tax to date and then makes any necessary adjustments. In addition, the employer, not the taxpayer, is subject to audit. Tax auditors verify if employers are withholding the correct amounts, and the employers are subject to penalty if the withholding is incorrect. In Japan, employers make an annual adjustment. In some Latin American countries, tax is computed on a monthly basis. Adjustments are made monthly and then the calculations start over again.

As with the return-free system studied by IRS, the acceptability of a final withholding system in the United States is unknown. A system such as this would reduce refunds significantly. Many taxpayers look forward to receiving refunds and look upon the refund as a form of forced savings.

Another factor that needs to be considered is the relationship between federal and state governments. Taxpayers in 37 states use information from their federal returns to complete their state returns. Reducing the number of people who need to prepare federal returns would have an impact on these states. None of

the countries that we studied had a governmental entity that was equivalent to a state that collected income taxes. In countries where there were entities similar to states, the entities raised revenue primarily through value added taxes.

APPENDIX I

APPENDIX I

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## IMF Officials Favor Final Withholding

- IMF officials encourage countries to use final withholding.
- System should not increase work for the tax authority.
- System goal should be to reduce number of returns that need to be processed.

Views of IMF Officials

We spoke with representatives from IMF to discuss international trends in tax administration. IMF provides technical assistance in tax administration to member countries. Officials in IMF's Tax Administration Division said that they encourage countries that are modifying or installing an income tax system to use the final withholding system. They did not recommend the return-free system as envisioned by IRS. In their opinion, it was not return-free because IRS would be preparing returns and mailing them out. They said that it makes no sense to put in a system that increases the work of the central tax authority. The goal should be to reduce the number of tax returns processed.

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## Conclusions

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- Return-free system will reduce taxpayer burden.
  - IRS' system may be feasible with improved technology.
  - IRS is having success with filing alternatives.
  - Final withholding worth study, but legislative and attitudinal changes will be needed.
-

CONCLUSIONS

The potential advantages of any return-free system are obvious; taxpayers, or certain classes of taxpayers, would not have to file tax returns. Removing the need to file returns would eliminate the mechanical aspects of gathering information, becoming familiar with the tax laws, and preparing the return. In addition, the anxiety and frustration associated with this annual ritual would decline.

However, the reality of return-free filing at IRS is a long-term prospect because it depends on capabilities to swiftly handle large quantities of data--capabilities that IRS eventually hopes to achieve through Tax Systems Modernization. In a technically sophisticated environment, return-free filing can be implemented in a way that saves time and money for both the taxpayer and IRS.

If a final withholding system, like that used by such countries as Japan and Great Britain, were implemented, significant changes would be needed in tax regulations and legislation. In addition, the taxpaying public and businesses would have to accept a totally new approach to satisfying tax liabilities.

Although return-free filing does not show immediate promise at IRS and barriers to implementing such a significant change as final withholding exist, both options deserve further study as IRS examines new ways of doing business.

In the meantime, IRS has several immediate initiatives that make processing tax returns faster and simpler for IRS. The effect on taxpayer burden, however, would appear to be less significant. Taxpayers still have to accumulate their tax documents, prepare all or part of a return, and send paper documents to IRS.

ALTERNATIVE FILING METHODS

Alternative	Availability during 1991	Type of filer	Anticipated returns for 1992	Returns received as of 4/10/92
Electronic filing	Nationwide	1040/A/EZ	11,000,000	10,380,000
1040PC	Nationwide	1040/A/EZ	2,000,000	983,000
TeleFile	Ohio	1040EZ	150,000	121,000
1040EZ-1 <sup>a</sup>	Rhode Island, Texas, Washington	1040EZ	17,000	5,000

<sup>a</sup>This is a simplified form of the 1040EZ. To file, the taxpayer enters the amount of any interest income, answers two questions, attaches any W-2 forms, and signs the EZ-1. IRS uses the wage and withholding data on the W-2s to figure the tax liability and sends the taxpayer a refund or a notice of any tax due, with an explanation of how the tax was figured.

Source: IRS' Returns Processing Branch

SAMPLE OF FORM 1040PC

1990 U.S. INDIVIDUAL INCOME TAX RETURN 1040PC FORMAT PAGE 1 OF 1 OMB NO. 1545.0074

CHARLIE TAXPAYER 000-00-1001 PAINTER
LUCY M TAXPAYER 000-00-1002 SECRETARY
21 MAIN ST
TAXTOWN, TN 37011
PPECF N SPECF N FS 2 6A-SELF X 6B-SPOUSE X
DEP RES 2 6E-TOTAL 4

6C MOLLY TAXPAYER 000-00-1003 DAUGHTER 12
6C SALLY TAXPAYER X 000-00-1004 DAUGHTER 12

Table with 3 columns: Line numbers and descriptions (e.g., 1040 PAGE 1, PREP-310 WHITESTONE, SCHEDULE A - 07, SCHEDULE B - 08), Amounts, and other codes (e.g., 4-528, 5-337, 6-337, 7-0, 8-337, 9-NO, 10-NO).

TOTAL INCOME LINE 23 34711 TOTAL TAX LINE 54 1534
TOTAL PAYMENTS LINE 62 3930 REFUND LINE 64 2396

Under penalties of perjury, I declare that I have examined this return and accompanying schedules and statements, and to the best of my knowledge and belief, they are true, correct, and complete. Declaration of preparer (other than taxpayer) is based on all information of which preparer has any knowledge.

Your Signature Date Spouse's Signature Date
Preparer's Signature Date Self-Employed Software Code

INTERNATIONAL FINAL WITHHOLDING SYSTEMS

Country	Tax year	Number of taxpayers eligible	Number of taxpayers who did not have to file
Great Britain	1991	26 million	23 million
Germany	1986 <sup>a</sup>	22.4 million	10.3 million
Japan	1988-90 <sup>b</sup>	46 million	29 million
Argentina	Mid-1980s <sup>c</sup>	2.2 million	1 million

<sup>a</sup>This was the most recent information available.

<sup>b</sup>The numbers in this table are estimated averages for each of the 3 tax years--1988, 1989, and 1990. Japan does not keep exact statistics on the number of taxpayers who do not have to file returns. We derived our estimates by analyzing aggregate statistics over 3 years.

<sup>c</sup>This was the most recent information available. Argentinean officials were not able to provide us with the exact year.

Source: Great Britain--Inland Revenue Operations Department; Germany--Tax Attache, German Embassy; Japan--Financial Counselor, Japanese Embassy; and Argentina--Argentinean tax officials assigned to IMF.

COST TO FILE AND PROCESS U.S. TAX FORMS

Tax Form	Total number filed for tax year 1991	Total hours spent by taxpayers to file forms <sup>a</sup>	Total cost to IRS to process forms
1040EZ	17,358,394	35,006,673	\$47,214,832
1040A	22,439,861	149,599,821	68,441,576
1040	74,685,853	725,700,028	256,919,334

<sup>a</sup>Does not include time to prepare any attached schedules.

Source: Instruction packages for various individual tax returns and IRS' Returns Processing Branch.

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