

Some Background Information behind Burden Estimate Changes between FY 2010 and FY 2009

The changes in aggregated compliance burden estimates can be explained in terms of three major components: Technical Adjustments, Statutory Changes, and Agency (IRS) Discretions.

Technical Adjustments

The largest adjustments are from the new survey data. The latest burden estimates are based on a new individual taxpayer survey for TY 2007 and conducted in CY 2008 and CY 2009. (Prior survey for TY 1999 and TY 2000 were conducted in CY 2000 and CY 2001). The new survey results capture the significant gains in productivity associated with the usage of tax preparation software and tax preparation services and large shifts in the population away from self preparation by hand towards use of the assisted methods (paid preparers and tax software).

The economic recession in the past year also has a significant impact on burden estimates, reducing the filing volume and resulting in lower time and money burdens.

The inclusion of Form 1040X has a significant positive impact on compliance burden estimates. The impact of including 1040X has actually out-weighted the impact of economic recession in terms of filing volume, but not in terms of burden changes (time and money). The burden associated with 1040X was not previously included in the aggregated burden estimates.

Statutory Changes

The primary drivers for the statutory changes are the American Recovery and Reinvestment Act (ARRA) of 2009 and related legislations.

IRS Discretions Changes

The IRS discretions changes include 1040X redesign, simplifications in filing Form 1099B/Schedule D/Form 1040, creation of Form 4506T-EZ, IRS support of the Free File Alliance, and changes to expand the eligibility of filing Form 3800 by individuals and businesses for general business credits. All these initiatives reduce time and money burdens for the taxpayers.