

Memorandum

To: Interested Parties

From: Ed Black, CEO and President, Computer & Communications Industry Association (CCIA)

Date: April 5, 2019

RE: Taxpayer attitudes concerning annual return preparation

As the annual April 15 deadline approaches for nearly 150 million families and individuals to file their annual tax returns with the Internal Revenue Service, the Computer & Communications Industry Association (CCIA) wanted to share with you new data on taxpayer attitudes about proposals for changing the way their taxes are collected and their annual returns are prepared.

CCIA has been polling taxpayers for nearly 15 years about how taxpayers feel about proposals to change tax preparation process. CCIA has also commissioned independent, bipartisan research dating back nearly 20 years on how various tax policy proposals would impact taxpayers, government agencies like the IRS, and industry. This research started with a seminal 135-page economic policy [white paper](#) authored by Nobel laureate Dr. Joseph Stiglitz in 2000 and that in-depth research and analysis continues today.

Taxpayers have made clear in our most recent survey that having the government prepare their tax returns – even without mandatory acceptance of a government return – is not something they want. CCIA's polling, in anticipation of tax season, was conducted by two noted pollsters, Republican Glen Bolger of Public Opinion Strategies and Democrat Paul Maslin of Fairbank, Maslin, Maulin, Metz & Associates. The survey of 1,200 respondents, including 540 cell phone respondents, has a margin of error of plus/minus 2.83%, and the base description read to each participant was:

“As you may know, there is a proposal to require the IRS to prepare your tax return for you. To provide this service, the IRS would develop new computer systems and software. Then the IRS would use databases of information about you to prepare your return. This is called a pre-completed tax return, or a Ready Return. There would be no IRS individual fee charged for tax preparation, but you would be legally responsible for the completeness and accuracy of the return that the IRS prepared for you. Under the current version of the proposal, taxpayers would have the option to accept the tax return that the IRS prepared for them or reject the IRS-prepared return and prepare their own substitute return. Would you support or oppose this proposal for IRS tax return preparation?”

Taxpayers opposed the proposal by a margin of 60% to 32%. Some 45% strongly opposed the idea while 8% strongly supported it. (See attached memo).

It did not matter whether the respondent was a Democrat or a Republican; white, black or Hispanic; whether they had a college degree or not; what their income was; or what region of

the country they lived in. Opposition was universal and rarely differentiated between groups. Interestingly, the only cohort that supported the idea, albeit, by a margin of 47% in favor/45% opposed (thus, within the margin of error) were young (age 18-34) Democratic Party men. Conversely, young (age 18-34) Democratic Party women actually swing nearly 20 percentage points away from their male counterparts in opposing the idea. Not surprisingly, respondents who identified as conservative and/or Republican opposed the proposal by the most significant margins.

We also asked taxpayers if they believed the IRS, if preparing consumers' individual returns, would work with the taxpayer's best interest as its priority, seeking to find and claim the maximum allowable deductions and credits due the taxpayer, or whether they would instead prioritize maximizing government revenue collection. By a margin of 71% to 16%, taxpayers believed the IRS would put maximizing revenue collection first.

We believe a public lack faith in the fairness and balance of the tax system would risk undermining public confidence in such a program, and in tax compliance itself. Today the U.S. enjoys the strongest citizen tax compliance rate in the world. We believe that can be attributed in no small part to the essential independent character of the American Voluntary Compliance system of taxation.

Along the same lines, we also asked about taxpayer confidence concerning the likely accuracy of IRS-prepared tax returns. We asked:

"If the IRS prepares the tax returns of millions of people, do you think the IRS can be relied upon to prepare returns that will be complete and accurate, because so much of our personal and financial information is already available to them digitally ...or... do you think the IRS will make mistakes and omissions because it does not yet have enough detailed information about people's personal lives and family finances to prepare tax returns that will be complete, accurate, and fair?"

Not surprisingly, 72% of taxpayers said they thought the IRS would make mistakes while 22% felt the returns would be accurate. CCIA has been conducting periodic public opinion research on this issue and asking similar, and, in some cases, identical questions for nearly 20 years. Proposals like this, or similar ones, calling for fundamental change in the U.S. tax collection system, and to replace it with tax system models utilized by other countries, have been around for quite some time. And decade after decade, year after year, the American taxpayer tells us almost exactly the same thing. Taxpayer sentiment does not seem to change at all. The research findings are consistent: taxpayers in the United States simply do not want the government to expand its tax administration and collection role into also preparing the tax returns themselves. Taxpayers do not believe the government has sufficient knowledge of the details of their personal and family lives to get the returns right, and they do not believe the tax collector would have the citizen's best interests as their first priority. The taxpayers polled have also expressed personal privacy as well as data security concerns about the government becoming the nation's tax preparer.

Additionally, taxpayers seem to know that, despite having information from their IRS Forms like the W-2, 1099 and banking records, the government lacks the information to correctly account for deductions taxpayers may be entitled to. Most prominent among these is charitable giving, but also, family status, contributing to the education of healthcare of family members, paying for their own illness and tip income.

Proponents of such proposals point to governments from various corners of the globe, with widely varying forms of government and rules of law, where all aspects of taxation are centralized as part of the mission of the nation's tax collector. It is true that many governments have minimized or eliminated the role of the taxpayer in their own taxation, as a vehicle of government efficiencies and revenue enhancement strategies.

Such examples ignore the negative impacts of disconnecting the taxpayer from their personal and family tax affairs, the fundamental differences in the relationship of nation state governments and their taxpayers, the fact that many of the selected foreign examples are for economies far smaller than the U.S., with a fraction of our population, and with vastly simpler tax codes. Such proposals have also skipped over a variety of studies, such as those about the [United Kingdom's tax system](#), which have examined the difficulties of delivering a fair and accurate tax system, that includes significant tax credit incentives for selected socioeconomic populations, when those populations are not engaged participants in their own tax compliance. And such examples do not examine the socio-political effect of attempting to circumscribe or eliminate the role of the taxpayer in their taxation in a political system where the taxpayer has been accustomed to direct engagement in their own tax compliance, as with the American system of Voluntary Compliance, which has been in place as the primary system of U.S. taxation for the last one hundred years. Our bipartisan independent research demonstrates that the average American taxpayer has a strong reaction to such a proposal.

Additionally, the idea of tasking the IRS with constructing and maintaining the technology infrastructure to prepare every American's tax return – even putting aside the cost – also seems unrealistic in light of the government's history of technology failures at critical times over the years. Illustratively, as many will recall, near the end of the 2018 tax filing season, the entire IRS electronic tax filing intake system simply went down for several days. Taxpayers who filed their returns during that period were afraid their returns would be 'lost.' Thankfully, because the IRS has relied on decentralized Public-Private Partnership as the backbone of the Voluntary Compliance system, the tax preparation industry was able to securely "hold" taxpayer's completed returns just outside the IRS's crippled electronic gateway system during the crisis, and then file them once the government's e-file acceptance system was restored and back up and running. No taxpayer returns were lost during the IRS outage as a result. That included the millions of tax returns filed at no cost -- to either the individual taxpayer or to the government -- by those who used the IRS Free File partnership between the IRS and a dozen tax preparation companies who donate their products free under IRS regulation. In contrast, foreign government centralized tax systems have experienced catastrophic failures which brought their entire tax systems to abrupt, nationwide halts for extended periods.

The idea that the U.S. Government could absorb the enormous responsibility of preparing every individual and family's tax returns, either directly as the preparer, or indirectly by hosting the centralized systems for taxpayers to prepare returns on government computer systems, and accomplish these tasks smoothly, efficiently and economically, defies prior history in government IT experience. Public concerns about the recent 35-day government shutdown underscored public concerns about the reliability of centralized government services. Additionally, the cybersecurity risk of having that amount of sensitive, personal taxpayer data collected and compiled in a single government database would be unparalleled. Highly decentralized tax systems, and diversified, distributed compliance channels, are inherently more secure from outside cyber-attack than are highly centralized systems that make more attractive, singular targets to disruptive global actors.

The cost to the public treasury (taxpayers) of building and maintaining a government-run technology platform capable of preparing every American's tax return in some form would likely run into the tens of billions of dollars. Currently, throughout the federal government's various departments and agencies, far smaller IT programs are being stood up. Most are behind schedule and over budget, but regardless of that, and despite being smaller than any IRS tax program would be, their costs are all measured in hundreds of millions or billions of dollars. Maintaining such a system for the IRS, even if it was successfully built, would cost hundreds of millions more every year in additional maintenance and updates, since the tax code is constantly changing.

In the absence of any public support, and given the continued remarkable if not unique success of the American Voluntary Compliance system, these proposals are a solution to a problem that does not exist. The IRS and the tax preparation industry have together created a public-private partnership that has delivered a fundamental modernization of the US income tax system over the past two decades since enactment of the 1998 IRS Restructuring and Reform Act, with the conversion of the US tax system from paper to electronic, now exceeding 90% of all returns filed electronically. Similarly, the free tax preparation and electronic filing solutions are today available to every American, regardless of income.

Only theoreticians, academics and political candidates advocate for having the government prepare every American's tax return. It is a proposition the American taxpayer has never supported over 20 years of research.



CCIA National Survey

Interview Schedule

Field Dates: September 13-18, 2018

Project #: 18969

N=1200 Adults

N=660 Landline

N=540 Cell Phone

Margin of Error = \pm 2.83%

** Denotes result under 0.5%.*

^ Denotes rounding. Due to rounding, some figures may be higher or lower by less than one-half of one percent.

B. Before we begin, I need to know if I have reached you on a cell phone, and if so, are you in a place where you can talk safely without endangering yourself or others?

100% Yes, cell and in safe place

D. Are you registered to vote in **[SURVEY STATE]**?

93% YES

6% NO

1% DON'T KNOW/REFUSED (**UNREAD OPTION**)

E. Are you, or is anyone in your household, employed by a newspaper, television or radio station, or a political party, or by a candidate for political office?

100% NO

And, just to be sure we have a representative sample...

1. In what year were you born?

8%	18 - 24
20%	25 - 34
19%	35 - 44
13%	45 - 54
22%	55 - 64
18%	65 AND ABOVE
*	REFUSED

Changing topics...

2. Would you say your overall view of the technology industry is very positive, somewhat positive, somewhat negative, or very negative?

24%	VERY POSITIVE
55%	SOMEWHAT POSITIVE
12%	SOMEWHAT NEGATIVE
3%	VERY NEGATIVE
5%	DON'T KNOW/NEUTRAL/NO OPINION (UNREAD OPTION)
*	REFUSED (UNREAD OPTION)
80%^	TOTAL POSITIVE
15%	TOTAL NEGATIVE

Shifting gears and thinking now about filing your taxes...

3. As you may know, there is a proposal to require the IRS to prepare your tax return for you. To provide this service, the IRS would develop new computer systems and software. Then the IRS would use databases of information about you to prepare your return. This is called a pre-completed tax return, or a Ready Return. There would be no IRS individual fee charged for tax preparation, but you would be legally responsible for the completeness and accuracy of the return that the IRS prepared for you. Under the current version of the proposal, taxpayers would have the option to accept the tax return that the IRS prepared for them or reject the IRS-prepared return and prepare their own substitute return. Would you support or oppose this proposal for IRS tax return preparation?

Would you say you **STRONGLY (support/oppose)** or just **SOMEWHAT (support/oppose)**?

8%	STRONGLY SUPPORT
24%	SOMEWHAT SUPPORT
15%	SOMEWHAT OPPOSE
45%	STRONGLY OPPOSE
8%	DON'T KNOW (UNREAD OPTION)
1%	REFUSED (UNREAD OPTION)
32%	TOTAL SUPPORT
60%	TOTAL OPPOSE

4. If the IRS prepared your return, do you think you would almost always pay the same, more, or less than you would if you or a third party tax preparer prepared your return?

38% Same
32% More
9% Less

20% Don't Know/Not Sure (**UNREAD OPTION**)
* Refused (**UNREAD OPTION**)

5. Would you feel comfortable rejecting the IRS-prepared return and preparing your own substitute return instead?

82% Yes
12% No

5% Don't Know/Not Sure (**UNREAD OPTION**)
1% Refused (**UNREAD OPTION**)

Now I am going to read you a statement, and after I read it, please tell me whether you would trust the IRS on that issue using a scale of one to ten, where one means you would not trust the IRS at all on that particular issue and ten means you would trust the IRS a great deal. Of course, you can choose any number between one and ten depending on how you feel.

6. Do you believe that the IRS has the ability and resources to protect your personal financial information?

22%	8-10
31%	5-7
18%	2-4
28%	1
8%	10
4%	9
11%	8
9%	7
6%	6
16%	5
6%	4
7%	3
5%	2
28%	1
1%	DON'T KNOW/REFUSED
4.6	MEAN
5.0	MEDIAN

7. Still thinking about this, do you believe the IRS would... maximize your refund ...or... maximize the tax they collect?

And, do you feel that way STRONGLY or NOT-SO-STRONGLY?

9% STRONGLY IRS WILL MAXIMIZE REFUND
7% NOT-SO-STRONGLY IRS WILL MAXIMIZE REFUND
13% NOT-SO-STRONGLY IRS WILL MAXIMIZE TAX THEY COLLECT
57% STRONGLY IRS WILL MAXIMIZE TAX THEY COLLECT

12% DON'T KNOW (**UNREAD OPTION**)
2% REFUSED (**UNREAD OPTION**)

16% TOTAL REFUND
71%^ TOTAL TAX THEY COLLECT

8. If the IRS prepares the tax returns of millions of people... do you think the IRS can be relied upon to prepare returns that will be complete and accurate, because so much of our personal and financial information is already available to them digitally ...or... do you think the IRS will make mistakes and omissions because it does not yet have enough detailed information about people's personal lives and family finances to prepare tax returns that will be complete, accurate, and fair?

22% ACCURATE
72% MAKE MISTAKES

5% Don't Know (**UNREAD OPTION**)
1% Refused (**UNREAD OPTION**)

9. Now I would like to read you two statements regarding the ready return tax system, one from supporters and one from opponents. After I read both statements, please tell me which comes closest to your own opinion.

27% Supporters say that taxpayers should want the IRS to prepare their tax returns to simplify the tax system. Supporters say this new system would be implemented at little cost, would be highly accurate, and that the IRS already has comprehensive information about taxpayers with which to prepare their tax returns. They also say the taxpayer would not be forced to accept the government's return but could reject the IRS-prepared return and choose to prepare and file their own tax return instead.

...while...

68% Opponents say requiring the IRS to play multiple roles, as the nation's tax preparer as well as tax collector, auditor, and tax code enforcer, would create a conflict of interest in the IRS's mission. They say building the technology and databases for this new tax system would be very expensive. They say the IRS's main responsibility is to collect taxes, maximize revenues, and enforce the tax code, and it would not help Americans maximize their refunds by claiming all the tax credits and deductions the taxpayer would be legally eligible to receive.

4% **DON'T KNOW (UNREAD OPTION)**

1% **REFUSED (UNREAD OPTION)**

10. Do you feel that the IRS has all the detailed personal and financial information needed to accurately prepare people's tax returns?

31% Yes

64% No

5% Don't Know **(UNREAD OPTION)**

* Refused **(UNREAD OPTION)**

Still thinking about this...

11. I am going to read you two statements, and after I read both statements, please tell me which one comes closest to your own opinion.

70% **(Some/other)** people say that the IRS does not have the detailed personal and financial information needed to accurately prepare people's tax returns. They say millions of Americans are eligible for family and child tax credits, can claim educational credits, and deduct mortgage interest, and much more that the IRS does not have complete knowledge regarding an individual or family's personal circumstances to prepare a fair return.

...while...

25% **(Other/some)** people say that the IRS already has all the information it needs to prepare people's tax returns. They say millions of lower income and middle class Americans have simple tax returns and have no need to itemize deductions or claim any tax credits. They say having the IRS prepare people's tax returns will be easy, cost nothing and save people time, money, and hassle. They say having the IRS do people's taxes is a very good idea.

4% Don't Know **(UNREAD OPTION)**

1% Refused **(UNREAD OPTION)**

12. Do you trust the government to produce objective tax returns that will be accurate and fair?

28% Yes

68% No

4% Don't Know (**UNREAD OPTION**)

1% Refused (**UNREAD OPTION**)

13. Still thinking about this proposal, I am going to read you two statements, and after I read both statements, please tell me which one comes closest to your own opinion.

22% **(Some/other)** people who support converting to a Ready Return tax system say that Government tax authorities would act with the taxpayers' best interests in mind, and that the Ready Return system would cost almost nothing and work well. These people say they trust the government to produce objective tax returns that will be accurate, complete, and fair.

...while...

73% **(Other/some)** people say the primary mission of the IRS is to maximize tax revenue collection to fund government operations and programs. They say if the tax collector and enforcer also becomes the tax preparer, the average taxpayer would be afraid to reject the IRS-prepared return or could not afford to hire tax accountants to prepare a substitute return instead. These people say having the government prepare people's tax returns may not be accurate, putting taxpayers and the fairness of the tax system at risk.

4% Don't Know (**UNREAD OPTION**)

1% Refused (**UNREAD OPTION**)

14. Do you believe that by curtailing or eliminating the participation of the taxpayer in preparing returns, the government's power would be greatly increased?

75% Yes

22% No

3% Don't Know **(UNREAD OPTION)**

* Refused **(UNREAD OPTION)**

15. Still thinking about this proposal, I am going to read you two statements, and after I read both statements, please tell me which one comes closest to your own opinion.

23% **(Some/other)** people say having the IRS prepare people's tax returns is a reform that would work just like the bills local and state governments send out to people for real estate and property taxes, where the government has all the information, calculates the taxes, sends out the tax bill, and people would just pay it. These people say taxpayers would prefer it if the income tax system operated just like real estate and property taxes.

...while....

73% **(Other/some)** people say curtailing or eliminating the participation of the taxpayer in the taxation of their income would not be a reform, but would enlarge the role and power of the tax collector. These people say keeping the taxpayer involved in preparing their own taxes is important for maintaining fairness in the tax system, and worry they would end up paying more taxes if the IRS prepared and sent out tax bills.

4% Don't Know **(UNREAD OPTION)**

1% Refused **(UNREAD OPTION)**

Now, I just have a few more questions for statistical purposes only.

D1. What is the last grade you completed in school?

1%	SOME GRADE SCHOOL (GRADES 1-8)
3%	SOME HIGH SCHOOL (GRADES 9-11)
20%	GRADUATED HIGH SCHOOL (GRADE 12)
2%	TECHNICAL/VOCATIONAL SCHOOL
24%	SOME COLLEGE
33%	GRADUATED COLLEGE
17%	GRADUATE/PROFESSIONAL SCHOOL

1%	REFUSED (UNREAD OPTION)
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23%^	HIGH SCHOOL OR LESS
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26%	SOME COLLEGE
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50%	COLLEGE+
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D2. And in politics today, do you consider yourself...

a Republican,
a Democrat,
or something else?

Would you call yourself a **STRONG (Republican/Democrat)** or a **NOT-SO-STRONG (Republican/Democrat)**?

Do you think of yourself as closer to the... the Republican party ...or... the Democratic party?

16%	STRONG REPUBLICAN
8%	NOT-SO-STRONG REPUBLICAN
11%	LEAN REPUBLICAN
18%	SOMETHING ELSE/INDEPENDENT
12%	LEAN DEMOCRAT
9%	NOT-SO-STRONG DEMOCRAT
22%	STRONG DEMOCRAT
1%	DON'T KNOW (UNREAD OPTION)
3%	REFUSED (UNREAD OPTION)
36%^	TOTAL REPUBLICAN
42%^	TOTAL DEMOCRAT

D3. Generally speaking, do you consider yourself to be conservative, moderate ...or... liberal on most issues?

And would you say you are VERY (**conservative/liberal**) or just SOMEWHAT (**conservative/liberal**)?

16%	VERY CONSERVATIVE
18%	SOMEWHAT CONSERVATIVE
36%	MODERATE
13%	SOMEWHAT LIBERAL
12%	VERY LIBERAL
3%	DON'T KNOW (UNREAD OPTION)
2%	REFUSED (UNREAD OPTION)
34%	TOTAL CONSERVATIVE
25%	TOTAL LIBERAL

D4. And for statistical purposes only...is your total annual household income greater or less than \$60,000 dollars?

7%	UNDER \$20,000
16%	BETWEEN \$20,000 - \$40,000
14%	OVER \$40,000
13%	UNDER \$80,000
14%	BETWEEN \$80,000 - \$100,000
25%	OVER \$100,000
11%	REFUSED (UNREAD OPTION)
22%^	UNDER \$40,000
27%	\$40,000 - \$80,000
39%	OVER \$80,000

D5. Are you, yourself, of Hispanic origin or descent, such as Mexican, Puerto Rican, Cuban, or some other Spanish background?

11% YES

88% NO

1% UNSURE/REFUSED (**UNREAD OPTION**)

D6. And, are you African-American, Asian, White, or some other race?

12% AFRICAN-AMERICAN

3% ASIAN (INCLUDES CHINESE, JAPANESE, KOREAN, LAOTIAN, FILIPINO, THAI, VIETNAMESE, ETC.)

69% WHITE

2% AMERICAN INDIAN (**UNREAD OPTION**)

11% HISPANIC (**UNREAD OPTION**)

* OTHER (**UNREAD OPTION**)

3% UNSURE/REFUSED (**UNREAD OPTION**)

D7. Do you currently have WiFi internet access in your home?

- 91% Yes, have WiFi internet access
 - 8% No, do not have WiFi internet access
 - 1% Don't Know/Refused (**UNREAD OPTION**)
-

D8. Last year, did you file a 1040 EZ tax return or a regular 1040?

- 9% 1040 EZ
 - 70% Regular 1040
 - 17% Don't Know/Not Sure
 - 3% Refused
-

D9. How many people currently live in your home?

- 13% 1
 - 34% 2
 - 20% 3
 - 17% 4
 - 13% 5+
 - 2% DON'T KNOW/REFUSED
-

D10. Which of the following devices would you say you use the MOST to view online content?

- 46% A Smartphone
 - 9% A tablet
 - 22% A laptop computer
 - ...or...
 - 16% A desktop computer?

 - 6% None of the Above **(UNREAD OPTION)**
 - 1% Don't Know **(UNREAD OPTION)**
 - 1% Refused **(UNREAD OPTION)**
-

D11. And, how do you typically file your taxes?

- 31% A digital tax-prep tool like TurboTax
 - 34% An accountant files your taxes
 - 9% A friend or family member does it for you
 - 7% You calculate yourself using the IRS forms
 - 13% A brick-and-mortar company like H&R Block
 - ...or...
 - 3% Do you not file your taxes?

 - * Other **(UNREAD OPTION)**
 - 1% None of the Above **(UNREAD OPTION)**
 - 1% Refused **(UNREAD OPTION)**
-

D12. Gender

- 48% MALE
 - 52% FEMALE
-