

## #4 REQUIRE THE IRS TO PROVIDE TAXPAYERS WITH A RECEIPT SHOWING HOW THEIR TAX DOLLARS ARE BEING SPENT

### Present Law

IRC § 7523 requires the IRS to include pie-shaped graphs showing the relative sizes of major outlay categories and major income categories in its instructions for Forms 1040, 1040A, and 1040EZ. In the 2016 Form 1040 instruction booklet, for example, the IRS published graphs on page 102 for fiscal year 2015.

### Reasons for Change

Taxpayers will have greater faith in government if they understand how they are taxed and how their tax dollars are spent. Because taxpayers have a right to be informed, the IRS should educate each taxpayer about how the government raises money, how the government spends money, and how that particular taxpayer contributed to both. Current rules do not do an adequate job of achieving these objectives.

Congress enacted the requirement to include pie charts in the Form 1040 instructions booklet more than 25 years ago.<sup>30</sup> At that time, taxpayers filed their tax returns on paper, so the instructions booklet was widely available and used. Today, more than 85 percent of individual income tax returns are filed electronically,<sup>31</sup> and the instructions booklet is much less visible. In addition, the categories of outlays are presented at a very high level, and the public would benefit from additional detail. Further, a published pie chart cannot provide personalized information regarding the taxpayer's own contributions, such as the taxpayer's marginal tax rate, effective tax rate, and tax benefits claimed.

Once taxpayers are given a clear picture regarding federal receipts, federal spending, and their own contributions to that financial picture, and to further public education about taxation and federal spending, taxpayers should be given an opportunity to voice their opinions about how tax dollars should be spent in the future. This could be achieved by inviting taxpayers to “vote” on their tax returns regarding how much and on what the government should spend its money and by requiring the IRS to report the results of that “voting.”

The “voting” would, of course, be non-binding. But this exercise in public engagement would help Americans gain a better understanding of the connection between the federal taxes they pay and the federal benefits they receive. As a consequence, it also has the potential to improve civic morale, increase tax compliance, and make the national dialogue over looming fiscal policy choices more productive as well.

### Recommendations

1. Amend IRC § 7523 to require the IRS to provide each taxpayer with a “taxpayer receipt” that shows, on a single page, how federal dollars are spent and the taxpayer's own contributions in the form of taxes paid and tax benefits claimed. The IRS should develop these receipts in collaboration with TAS. For taxpayers who use tax software to self-prepare their returns, this requirement may be satisfied if the IRS requires e-file providers to include a page displaying the one-page breakdown at the end of the return preparation process as part of the *Authorized IRS e-file Providers* rules.<sup>32</sup> For taxpayers who use paid preparers, the requirement may be satisfied by requiring the preparer to

30 IRC § 7523 applies to instruction booklets prepared for taxable years beginning after 1990.

31 See <https://www.irs.gov/newsroom/filing-season-statistics-for-week-ending-september-1-2017>.

32 See Rev. Proc. 2007-40, 2007-1 C.B. 1488, and IRS Pub. 3112, *IRS e-file Application and Participation* (Rev. 4-2017).

include the one-page breakdown when furnishing the taxpayer with a completed copy of the tax return, as required by IRC § 6107(a).

2. Amend IRC § 7523 to require the taxpayer receipt to contain an online link or a paper “ballot” where the taxpayer can “vote” on what he or she believes federal funds should be spent on and in what amounts.
3. Amend IRC § 7523 to require the IRS to publish the aggregate results of taxpayer “voting” no later than 30 days after the end of the calendar year.