Using Technology to Simplify Filing
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Abstract

In recent years, efforts to reduce filing costs through technology have gotten increasing attention from tax policymakers. This is in part due to the changes technology has wrought in other facets of daily life, and in part due to the realization that our filing requirements are far more onerous than those in virtually any other nation. We are one of the few nations, for example, to impose a filing burden on the ordinary worker. The success of the California ReadyReturn project, which used technology to make pro-forma returns available to a sampling of 4 million Californians with simple returns, has garnered attention even in the popular media.

I have been associated with the ReadyReturn program and believe that program could and should be adopted widely. However, I believe that by making it possible for taxpayers to access and download information return data now held by the government, technology could also reduce the tax burden of those with complex returns. The reduction in burden might be greatest for taxpayers in this latter group. This is true, at least, if we weight taxpayer time by an implicit wage rate, and measure simplification in dollars. The two forms of technologically-induced simplification are both dependent upon the government’s ability to make timely use of third-party reported data; and upon the ability of the government to provide the taxpayer with access to that data.

Part one of this paper discusses the role that technology might play in simplifying filing for those with complicated returns. Part two discusses the ReadyReturn and the promise of pro forma returns. Part three discusses the normative case for and against the kind of technologically-driven simplification discussed in parts one and two.