

# **The Income Tax Compliance Cost of Large and Mid-Size Businesses**

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## ABSTRACT

This report presents evidence on the compliance costs of medium-sized businesses based on a survey conducted by the Office of Tax Policy Research. The survey attempts to measure the size and composition of compliance costs and to identify firm characteristics that affect these costs. Our analysis of the responses of taxpayers and tax professionals confirms the regressivity of business compliance costs and suggests that, as a proportion of taxes paid, they are significantly higher than for the largest U.S. businesses and for individual taxpayers. Comparisons to revenue must be done carefully, however, because the majority of medium-sized businesses are in fact not taxpaying entities, but are rather pass-through entities.