

Introduction

Dear Business Tax Officer:

The business community is well aware of the increasing complexity of the tax system and the rising cost of complying with it. However, there is little in the way of research to shed light on the degree to which tax compliance cost has increased in recent years, and the factors that are driving it, despite the fact that business taxes in the U.S. have changed dramatically in recent years through major legislation such as the 2017 Tax Cuts and Jobs Act and the 2022 Inflation Reduction Act as well as OECD rule making impacting international taxes. What we do know, from IRS surveys of US taxpayers, is that federal tax compliance cost is in aggregate on the order of \$300 billion annually, and businesses bear the lion's share of this cost via additional operating expenses. It is thus important to try to learn more about this understudied topic and communicate the results to policymakers and stakeholders broadly, in an effort to encourage simplicity.

Tax Foundation is seeking to do just that via the enclosed survey, and we would welcome your participation in this important work. We are asking several hundred companies with a U.S. presence to participate, including C corporations and pass-through businesses of all sizes.

The survey design follows a prior survey done about 30 years ago by professors Joel Slemrod and Marsha Blumenthal, and which was sponsored by the Tax Foundation.

The updated survey is meant to gauge compliance costs associated with U.S. federal, state and local, and foreign business income taxes, including OECD rule making related to transfer pricing, country-by-country reporting, and the Pillar 2 minimum tax.

It is a lengthy survey that we estimate will require one hour to complete depending on the complexity of your business. We have tried to keep the questions to a minimum and keep only those that are important for understanding the key dimensions of tax compliance costs and how they vary across different types of businesses.

All results will be anonymous and aggregated. Separate company data will not be disclosed. A final published analysis is planned for this September. While not required, we do ask that you include your name and contact information in case we need clarifying follow-up.

In this survey you are asked to estimate tax compliance costs associated with business income taxes at the federal, state and local, and international levels, comprised of expenditures for personnel, overhead and supplies to support those personnel, software costs, and outside expert advice. We acknowledge that obtaining this information may not be easy, especially regarding foreign income taxes in some cases. We simply ask for your best estimates, and it is fine to skip questions and answer only those questions for which data is available. Furthermore, in recognition of your time, and the fact that most tax compliance cost is due to income taxes, we are not asking for any information relating to compliance with non-income taxes such as payroll, property, excise, or other taxes.

Please complete the survey by July 12.

**If you have any questions, please contact Will McBride
(wmcbride@taxfoundation.org). We appreciate your time and effort.**

My best regards,

**Teri Wielenga
Tax Foundation Advisory Board Member**

Instructions

Tax Foundation has designed the following survey to gauge business tax compliance costs and identify factors driving those costs, referring only to the compliance costs of U.S. federal, state and local income taxes as well as foreign income taxes, including OECD rule making related to transfer pricing, country-by-country reporting, and the Pillar 2 minimum tax. The survey is not meant to gauge the compliance costs associated with non-income taxes such as payroll, property, excise, withholding and other taxes.

Tax Foundation plans to publish on our website later this year a summary of the results of this survey and related analysis, along with a methodology, where the survey results would be presented on an aggregated basis preventing identification of any particular company's responses. Information identifying any particular company will be used only by a limited number of Tax Foundation staff who are assigned to this project for purposes of administration and quality assurance of the survey (e.g., for clarification and preventing any double counting of responses). Tax Foundation will make every effort to keep this information strictly confidential and maintain those records internally only for the life of the project. We will maintain the anonymous information for research purposes within our organization, including for academic members of our board of advisors.

The expected time to complete the survey is estimated to be about one hour, depending on the complexity of your company. We encourage you to consult your records or others in your business as needed to answer the questions, or otherwise provide your best estimate or response. In cases where it is impractical to provide an estimate (even a rounded number estimate, which may be the case for some questions regarding foreign income taxes, for example) it is fine to skip that question and answer those questions that are more readily answered. Please submit your responses to this survey by July 12. For any questions about this survey, please contact Will McBride (wmcbride@taxfoundation.org).

Part One: Characteristics of Your Business

For the questions in part one, refer to tax year 2023 returns if already completed or otherwise the most recent tax year returns completed (please note which tax year used for this survey in the first comment box on question 1).

1. Did you file a consolidated U.S. Federal income tax return?

Yes

No

Tax Year

2. If Yes, did you file more than one consolidated return?

Yes

No

3. If you did file any consolidated returns, please record the number of entities included in each consolidated return(s)

4. Of the number above, how many entities were active?

5. If you also filed unconsolidated federal returns, please record the number of unconsolidated returns filed

6. What is the U.S. filing status of your firm?

C corporation

S corporation

Partnership

Other (please specify)

7. How many pages of documents were submitted as part of your company's Federal income tax return?

8. Over the past year, how many income tax filings did your company make, including for originally filed tax returns, estimated tax, request for extension, and amended or corrected returns (for any period):

Federal	<input type="text"/>
California	<input type="text"/>
New York	<input type="text"/>
Other State	<input type="text"/>
Local	<input type="text"/>
Foreign	<input type="text"/>

9. Was your company subject to the U.S. Corporate Alternative Minimum Tax (CAMT) that was enacted in 2022?

- Yes
 No

10. If you answered "No" above, did you calculate the CAMT liability or otherwise make calculations to determine if your company is in scope?

- Yes
 No

11. Do you anticipate being subject to the CAMT within the next two years?

- Yes
 No

12. Please indicate which one of the following industry categories best describes the activities of your primary business (based on the primary business activity code you have entered on the federal income tax return):

- Agriculture, Forestry, Fishing, and Hunting
- Mining
- Utilities
- Construction
- Manufacturing
- Wholesale and Retail Trade
- Transportation and Warehousing
- Information
- Finance and Insurance
- Real Estate and Rental and Leasing
- Management of Companies (holding companies)
- Services (including professional, scientific, technical; administrative, support; waste management and remediation services; educational; health care; arts, entertainment, recreation; accommodation and food; and other services)

13. What was the total number of employees (based on the number of Forms W3 filed or otherwise full-time equivalents)?

U.S.	<input type="text"/>
Foreign	<input type="text"/>
Total	<input type="text"/>

14. What were your total assets, as entered on your federal income tax return (in millions of U.S. dollars)?

U.S.	<input type="text"/>
Foreign	<input type="text"/>
Total	<input type="text"/>

15. What were your net receipts or sales, as entered on your federal income tax return (in millions of U.S. dollars)?

U.S.	<input type="text"/>
Foreign	<input type="text"/>
Total	<input type="text"/>

16. Does your company participate in the Internal Revenue Service Compliance Assurance Process (CAP) program?

Yes

No

17. How many forms 5471 did you company file for controlled foreign corporations?

18. Does your company have a minority interest in any foreign countries?

Yes

No

19. If you answered "Yes" above, please answer the following questions:

How many?

In how many different foreign countries?

20. Does your company operate any branches (including disregarded entities) in foreign countries?

Yes

No

21. If you answered "Yes" above, please answer the following questions:

How many?

In how many different foreign countries?

22. Does a foreign parent own a majority of your company?

Yes

No

Part Two: Compliance Costs Within Your Business

This section refers to the cost of tax compliance and associated tasks incurred within your business, both inside and outside the tax department. (Part Three deals with the cost of tax-related services purchased from sources external to your business.) Please estimate the incremental resources and costs attributable to business income tax compliance; in other words, what would be the savings in resources and costs if business income tax was eliminated.

23. How many employees are devoted to federal business income tax, measured in terms of full-time equivalents (FTEs)?

24. How many FTEs are devoted to state and local business income tax?

25. How many FTEs are devoted to foreign business income tax?

26. What is the total annual budget for salaries (including fringe benefits) for federal business income tax-related work (in thousands of U.S. dollars)?

27. What is the total annual budget for salaries (including fringe benefits) for state and local business income tax-related work (in thousands of U.S. dollars)?

28. What is the total annual budget for salaries (including fringe benefits) for foreign income tax work (in thousands of U.S. dollars)?

Roughly speaking, the tasks involved in complying with federal income tax laws, state and local income tax laws, as well as foreign income tax laws fall into the following categories:

- a. Keeping records and maintaining or updating software (e.g., saving, creating, and filing necessary receipts and records, setting up and maintaining tax accounting systems).**
- b. Researching the tax laws and filing requirements (e.g., reading IRS or commercially-prepared materials, attending classes or seminars).**
- c. Planning (e.g., choosing accounting and inventory valuation methods, the nature of the tax year, the types of forms to file, evaluating the tax consequences of certain expenditures, various hiring and fringe benefit decisions, mergers and acquisitions, liquidations, dividends, raising capital, entering or exiting a market).**
- d. Dealing with other personnel about tax matters, either internally or externally.**
- e. Filing the returns (e.g., collecting forms and materials, reconciling book and tax accounts, preparing special schedules, attachments and worksheets, filling out the forms, assembling and copying, signatures and mailing).**
- f. Audits, appeals, and litigation.**
- g. Preparing information for financial statements and related reporting.**
- h. Monitoring and participating in the tax legislative and administrative process.**

29. Of the total personnel expenditures on income tax work, please estimate the percentage devoted to each of these tasks (should total 100%):

Keeping records and maintaining or updating software	<input type="text"/>
Researching the tax laws and filing requirements	<input type="text"/>
Planning	<input type="text"/>
Dealing with other personnel, either internally or externally	<input type="text"/>
Filing the returns	<input type="text"/>
Audits, appeals, and litigation	<input type="text"/>
Preparing information for financial statements and related reporting	<input type="text"/>
Monitoring and participating in the tax policy process	<input type="text"/>

30. What is the total annual non-personnel costs (in thousands of U.S. dollars) for complying with federal, state and local business income tax, as well as foreign income tax requirements (e.g., for computers, software, record storage and retrieval, office space, general supplies, copying, travel, research subscriptions and training, etc.)?

31. Of the total non-personnel costs, what fraction was devoted to federal, state and local, and foreign income taxation? The percentages should total 100%.

Federal income tax

State and local income tax

Foreign income tax

This section is optional

32. Is your company currently under examination by, or have tax years before appeals or under litigation with the Internal Revenue Service?

Yes

No

33. Is your company currently under examination by, or have tax years before appeals or under litigation with a state revenue agency?

Yes

No

34. Is your company currently under examination by, or have tax years before appeals or under litigation with a foreign revenue agency?

Yes

No

Part Three: Compliance Costs Outside Your Business

35. Over the past fiscal year, what was your company's expenditure for outside tax assistance (in thousands of U.S. dollars)?

36. Of this, what percentage was devoted to federal income taxation, state and local income taxation, and foreign income taxation (should add to 100%):

Federal income tax

State and local income tax

Foreign income tax

37. Please estimate what percentage of your expenditures on outside tax assistance go to (should add to 100%):

Accounting firms

Law firms

Other (please specify)

38. Please estimate the percentage of your expenditures on outside tax assistance accounted for by the following functions (should add to 100%):

Keeping records and maintaining or updating software

Researching the tax laws and filing requirements

Planning

Dealing with other personnel, either internally or externally

Filing the returns

Audits, appeals, and litigation

Preparing information for financial statements and related reporting

Monitoring and participating in the tax policy process

Part Four: Attitudes and Suggestions for Reform

39. Overall, how satisfied are you with your interactions with the IRS? [Scale of 1-5: 1 = Very Dissatisfied, 2 = Somewhat Dissatisfied, 3 = Neutral, 4 = Somewhat Satisfied, 5 = Very Satisfied]

- 1 = Very Dissatisfied
- 2 = Somewhat Dissatisfied
- 3 = Neutral
- 4 = Somewhat Satisfied
- 5 = Very Satisfied

40. Please rate your overall satisfaction level for the following separate functions of the IRS. [Scale of 1-5: 1 = Very Dissatisfied, 2 = Somewhat Dissatisfied, 3 = Neutral, 4 = Somewhat Satisfied, 5 = Very Satisfied]

Exams	<input type="text"/>
Appeals	<input type="text"/>
Counsel	<input type="text"/>
Other	<input type="text"/>

41. What factor(s) drive the satisfaction or lack thereof?

42. Thinking back two years ago, how satisfied were you then with your interactions with the IRS? [Scale of 1-5, 1 = Very Dissatisfied, 2 = Somewhat Dissatisfied, 3 = Neutral, 4 = Somewhat Satisfied, 5 = Very Satisfied]

- 1 = Very Dissatisfied
- 2 = Somewhat Dissatisfied
- 3 = Neutral
- 4 = Somewhat Satisfied
- 5 = Very Satisfied

43. What factor(s) have changed and how?

44. What aspect(s) (or Section(s), tax form(s)) of the current tax code is/are most responsible for the cost of complying with federal income tax?

45. What aspect(s) of the current tax code is/are most responsible for the cost of complying with state and local income tax?

46. To which state or local jurisdiction do you attribute the most income tax compliance costs?

47. What aspect(s) of foreign income taxes is/are most responsible for the cost of complying?

48. To which foreign jurisdiction do you attribute the most income tax compliance costs?

49. On net, has income tax complexity increased or decreased since 2017 (i.e., prior to the Tax Cuts and Jobs Act, the Inflation Reduction Act, and the OECD Pillar 1 and 2 project)?

Increased

Decreased

50. What aspect(s) of the current tax system, including federal income tax, state and local income tax, and foreign income tax, has (have) increased complexity the most since 2017?

51. What aspect(s) of the current tax system, including federal income tax, state and local income tax, and foreign income tax, has (have) decreased complexity the most since 2017?

52. What is your best estimate of the percentage change between 2017 and 2023 in the funds your company allocates for income tax compliance?

53. Of the total cost of complying with the federal income tax system, what is your best estimate of the percentage of these costs that is due to foreign-source income operations?

54. To what degree does income tax liability factor into location decisions?

- Major factor
- Minor factor
- Not a factor

55. To what degree does income tax liability factor into investment decisions?

- Major factor
- Minor factor
- Not a factor

56. To what degree does income tax liability factor into planning decisions?

- Major factor
- Minor factor
- Not a factor

57. To what degree does tax complexity (including uncertainty) and associated compliance costs factor into location decisions?

- Major factor
- Minor factor
- Not a factor

58. To what degree does tax complexity (including uncertainty) and associated compliance costs factor into investment decisions?

- Major factor
- Minor factor
- Not a factor

59. To what degree does tax complexity (including uncertainty) and associated compliance costs factor into planning decisions?

- Major factor
- Minor factor
- Not a factor

60. What suggestions would you make to simplify compliance with income taxes at either federal, state/local, or international levels?

61. What problems have you encountered with the income tax system which have not been addressed by this questionnaire?

62. Contact information

Name	<input type="text"/>
Company	<input type="text"/>
Email	<input type="text"/>
Phone	<input type="text"/>