

Why Do People Pay Taxes?

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vertical equity

The concept that people in different income groups should pay different rates of taxes or different percentages of their incomes as taxes. "Unequals should be taxed unequally."

voluntary compliance

A system of compliance that relies on individual citizens to report their income freely and voluntarily, calculate their tax liability correctly, and file a tax return on time.

Volunteer Income Tax Assistance (VITA)

This provides free income tax return preparation for certain taxpayers. The VITA program assists taxpayers who have limited or moderate incomes, have limited English skills, or are elderly or disabled. Many VITA sites offer electronic preparation and transmission of income tax returns.

W

wages

Compensation received by employees for services performed. Usually, wages are computed by multiplying an hourly pay rate by the number of hours worked.

withholding ("pay-as-you-earn" taxation)

Money, for example, that employers withhold from employees paychecks. This money is deposited for the government. (It will be credited against the employees' tax liability when they file their returns.) Employers withhold money for federal income taxes, Social Security taxes and state and local income taxes in some states and localities.

X

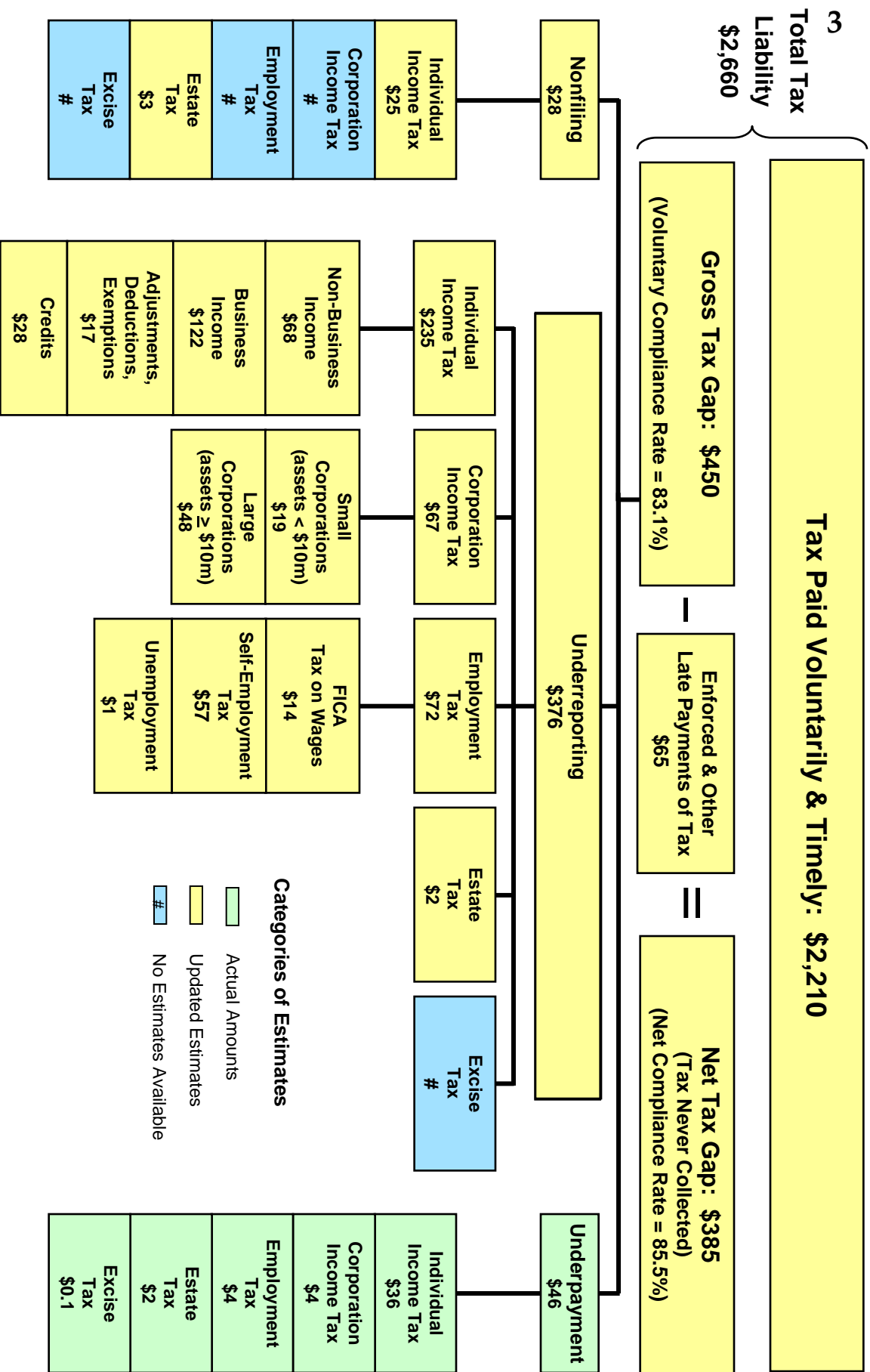
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Z

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Tax Gap “Map”

Tax Year 2006 (\$ billions)





Tax protester pays \$12,000 bill in coins, \$1 bills

Published: 08.15.2007, The Associated Press

MUNCIE, Ind. - A landlord said he wanted people to see the pain of his property tax bill when he hauled \$12,656.07 in coins and \$1 bills to the county treasurer's office.

Cary Malchow said the heavy load left him "out of breath" but it was worth watching three cashiers working overtime and guarded by sheriff's deputies on Monday to count every last cent of the semi-annual payment for his home, business and rental properties.

"I did it so people can physically see what \$12,000 is," said Malchow, who has staged other recent protests to draw attention to Indiana's property tax increases.

It took 75 minutes to count out the cash, said Delaware County Treasurer Warren Beebe.

"They were fast, they were hustling. They're used to counting money, but of course that left other people standing in line. It was an awkward situation," Beebe said Tuesday.

Malchow's protest prevented the office from making its daily bank deposit, costing the county an estimated \$1,135.90 in interest that would have otherwise accrued overnight, Beebe said.

Form 1040X

Department of the Treasury -- Internal Revenue Service
Amended U.S. Individual Income Tax Return

OMB No. 1545-0047

(Rev. November 1997)

See separate instructions.

This return is for calendar year 1997

OR fiscal year ended 19

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Please print or type	Your first name and initial WESLEY SNIPES		Last name	Your social security number	
	If a joint return, spouse's first name and initial		Last name	Spouse's social security no.	
	Home address (no. and street) or P.O. box if mail is not delivered to your home C/O STARR & CO. 350 PARK AVENUE			Apt. no.	Telephone number (optional)
	City, town or post office, state, and ZIP code. If you have a foreign address, see instructions. NEW YORK, NY 10022			For Paperwork Reduction Act Notice, see page 4.	

If the name or address shown above is different from that shown on the original return, check here ☐ Yes ☒ No
 Has the original return been changed or audited by the IRS or have you been notified that it will be? ☐ Yes ☒ No

Filing status. Be sure to complete this line. Note: You cannot change from joint to separate returns after the due date.

On original return ☒ Single ☐ Married filing joint return ☐ Married filing separate return ☐ Head of household ☐ Qualifying widow(er)
 On this return ☒ Single ☐ Married filing joint return ☐ Married filing separate return ☐ Head of household ☐ Qualifying widow(er)

* If the qualifying person is a child but not your dependent, see instructions.

USE PART II ON PAGE 2 TO EXPLAIN ANY CHANGES

Income and Deductions (see instructions)		A. Original amount or as previously adjusted (see instructions)	B. Net change — Increase or (Decrease) — explain in Part II	C. Correct amount
1	Adjusted gross income (see instructions)	19238192	-19238192	0.
2	Itemized deductions or standard deduction	424,191.	-420,041.	4,150.
3	Subtract line 2 from line 1	18814001	-18818151	-4,150.
4	Exemptions. If changing, fill in Parts I and II on page 2		5,300.	5,300.
5	Taxable income. Subtract line 4 from line 3	18814001	-18823451	-9,450.
6	Tax (see instructions). Method used in col. C TAX TABLE	7,363,236.	-7363236	0.
7	Credits (see instructions)	2,542.	-2,542.	0.
8	Subtract line 7 from line 6. Enter the result but not less than 0	7,360,694.	-7360694	0.
9	Other taxes (see instructions)	52.	-52.	0.
10	Total tax. Add lines 8 and 9	7,360,746.	-7360746	0.
11	Federal income tax withheld and excess social security and RRTA tax withheld. If changing, see instructions	4,309,735.		4,309,735.
12	Estimated tax payments, including amount applied to prior year's return	820,839.		820,839.
13	Excess refundable credit			
14	Amount of Form 244 or Form 2439			
15	Amount of Form 244 or Form 2439 (applications for extension of time to file)			2,050,000.
16	Amount of tax paid with original return plus additional tax paid after it was filed			180,181.
17	Total payments. Add lines 11 through 16 in column C.			7,360,755.
18	Refund or Amount You Owe			
19	Overpayment, if any, as shown on original return or as previously adjusted by the IRS			7,360,755.
20	Subtract line 19 from line 17 (see instructions)			
21	Amount of tax owed. If line 10, column C, is more than line 19, enter the difference and see instructions			7,360,755.
22	Amount of tax owed. If line 10, column C, is less than line 19, enter the difference			7,360,755.
23	Amount of line 21 you want REFUNDED TO YOU			
23	Amount of line 21 you want APPLIED TO YOUR 19			

Sign Here

Keep copy of return for your records

Preparer's Use Only

Under the penalties of perjury, I declare that I have prepared this amended return and that I have examined the amended return, including accompanying schedules, and statements, and to the best of my knowledge and belief, this amended return is true, correct, and complete. Declaration of preparer (other than taxpayer) is based on all information of which the preparer has any knowledge.

Wesley Snipes 4/11/01
Your signature Date

Spouse's signature, if joint, BOTH must sign. Date

Angela P. Snipes 4/11/01
Preparer's signature Date

Check if self-employed ☐

Preparer's SSN

452 GLEN OAK RD.
VENICE, FL 33493
Taxpayer's name (or yours if self-employed) & address

EIN
ZIP code

2010]

When Is Tax Enforcement Publicized?

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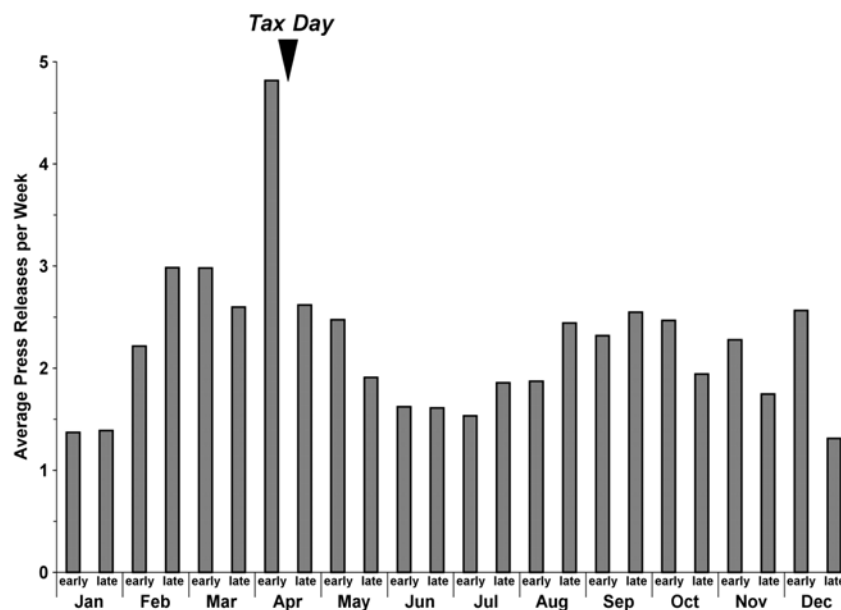
windows we studied, versus the rest of the year, along with the magnitude of this difference and its statistical significance:

TABLE 1. COMPARISON OF TAX ENFORCEMENT PRESS RELEASES ISSUED IN TIME WINDOWS VS. REST OF YEAR (2003–2009)

TIME WINDOW	AVERAGE NUMBER OF PRESS RELEASES PER WEEK			PROBABILITY THAT DIFFERENCE IS RANDOM	
	REST OF YEAR	PERIOD BEFORE TAX DAY	% MORE	P-VALUE	CHANCE (1 IN X)
FEB 1ST TO TAX DAY	2.0	3.1	+58%	.0000032	311,656
MAR 1ST TO TAX DAY	2.0	3.5	+71%	.0000030	333,427
APR 1ST TO TAX DAY	2.1	4.8	+128%	.0000013	791,637

The chart below provides a graphic illustration of the average frequency of tax enforcement press releases issued throughout the year during 2003 through 2009. The chart reveals a striking increase in the frequency of press releases issued during the two weeks prior to Tax Day. We designated April 1 to Tax Day (usually April 15) as early April, and the day after Tax Day until April 30 as late April. For all other months, we divided the number of workdays in that month in half; if a month had an odd number of workdays, we made the early part of that month one day longer than the late part. For each half-month, we aggregated across the seven years of the sample to calculate the number of press releases per workday in that half-month. Based on the concept of a five-day workweek, we then multiplied this per-workday number by five to compute the average number of press releases per week, as shown in the figure below.

FIGURE 1. FREQUENCY OF TAX ENFORCEMENT PRESS RELEASES
(2003–2009)



Last, we performed the same analysis described above, but limited our sample of press releases to only those press releases that involved criminal tax enforcement actions, such as indictments or prison sentences. We found that the timing of the government's issuance of criminal tax enforcement press releases revealed the same pattern as what we observed when we performed our analysis for all press releases in our sample.⁶¹ As a result, we have reported the overall results for all press releases in our sample.

4. Individual Years

We found that the pattern described above occurred throughout the seven years that we studied. To illustrate this observation, the table below presents the difference between the average number of tax enforcement press releases issued per week during the April 1 to Tax Day window and the number issued per week during the rest of the

⁶¹ In other words, when we segregated the press releases that described criminal tax enforcement actions, we observed a striking and statistically significant increase in the frequency of these press releases issued during each of the three time windows prior to Tax Day, versus the rest of the year.