

DOCUMENT RESUME

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Further Simplification of Income Tax Forms and Instructions Is Needed and Possible. GGD-78-74; B-137762. July 5, 1978. Released July 25, 1978. 58 pp. + 4 appendices (60 pp.).

Report to Sen. Russell B. Long, Chairman, Joint Committee on Taxation; Rep. Al Ullman, Vice Chairman; by Robert F. Keller, Acting Comptroller General.

Issue Area: Tax Administration: Simplifying and Communicating Tax Law Requirements to Taxpayers (2704).

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Organization Concerned: Internal Revenue Service; Department of the Treasury.

Congressional Relevance: Joint Committee on Taxation. Rep. Al Ullman; Sen. Russell B. Long.

Authority: Tax Reform Act of 1976. Adler v. Commissioner, 330 F.2d 91, 93 (9th Cir. 1964). Accord, Carpenter v. United States, 495 F.2d 175, 184 (5th Cir. 1974). Aldridge v. Commissioner, 51 T.C. 475, 482 (1968). Dixon v. United States, 381 U.S. 68, 73 (1965). Green v. Commissioner, 59 T.C. 456, 458 (1972).

Although the ultimate way to ease the taxpayers' task in filling out their returns is to simplify the tax laws, much can be done to make the tax forms and instructions more readable and easier to understand. The 1040 form and related instructions are written at a reading level beyond that of many taxpayers, and the cluttered design of the forms and instructions presents a stumbling block for taxpayers. Findings/Conclusions: At GAO's requests, reading, writing, and design experts illustrated how the Form 1040 tax package can be made more understandable. The experts reduced selected sections of the 1040 instructions to the eighth or ninth grade reading levels deemed most practical by solving two problems--the use of long and uncommon words and the use of long and complicated sentences. Design experts identified and solved the following problems: lines of information too close together, insufficient margins and spacing, not addressing Form 1040 on a line-by-line basis, chronology of instructions, and differences in specific and general information. It would require an estimated one-time investment of about \$900,000 and recurring annual costs of about \$3.3 million to bring about the type of improvements the experts thought necessary. Spread over 85 million packages, the increase for the first year would come to only about 5 cents for each tax package. Recommendations: The Commissioner of Internal Revenue should: establish a special task force to undertake a comprehensive effort to improve tax forms and instructions; within a short time, develop a comprehensive plan and detail the specific improvement goals expected to be achieved, specify

timeframes for achieving them, and present estimates of the cost of the effort; and initiate action to reprogram funds already appropriated to support the task force's effort. The Congress should hold hearings to review with Internal Revenue Service its plans for improving the tax forms and instructions and the progress being made. (RRS)

6910

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REPORT BY THE

Comptroller General

OF THE UNITED STATES

RELEASED

7/25/78

Further Simplification Of Income Tax Forms And Instructions Is Needed And Possible

The income tax forms and instructions used by millions of Americans can be made easier to read and understand. This report shows how this could be done.

The basic problem has been that, in developing the forms and instructions, the Internal Revenue Service has emphasized technical accuracy. IRS has seldom adequately drawn on the writing and design skills of its own employees or outside experts to ensure that readability does not suffer unduly in the quest for technical precision. In response to GAO's recommendations, IRS is initiating action to make the forms and instructions easier to read and understand.



JULY 5, 1978 GGD-78-74



COMPTROLLER GENERAL OF THE UNITED STATES

WASHINGTON, D.C. 20548

B-137762

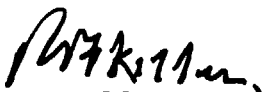
To the Chairman and Vice Chairman
Joint Committee on Taxation
Congress of the United States

This report, one of a series in response to your Committee's request, shows how the individual income tax forms and instructions can be made easier to read and understand whether or not the tax law is simplified.

The report recommends that the Commissioner of Internal Revenue develop and carry out a comprehensive plan to simplify the forms and instructions, making it easier for millions of taxpayers to fill out their own tax returns each year. The Commissioner generally agreed with all the recommendations.

Because of the importance of this effort and the need for congressional support to accomplish it successfully, the report also recommends that the Congress hold hearings to discuss the IRS plan and the progress being made.

As arranged with your Committee, unless you publicly announce its contents earlier, we plan no further distribution of this report until 30 days from the date of the report. At that time, we will send copies to interested parties and make copies available to others upon request.


ACTING Comptroller General
of the United States

COMPTROLLER GENERAL'S REPORT
TO THE JOINT COMMITTEE ON
TAXATION

FURTHER SIMPLIFICATION
OF INCOME TAX FORMS AND
INSTRUCTIONS IS NEEDED
AND POSSIBLE

D I G E S T

This report shows how the U.S. income tax forms and instructions can be made easier for taxpayers to understand and complete. The ultimate way is to simplify the tax law. However, regardless of whether the law is changed, the Government can make the tax forms and instructions more understandable. This needs to be done. Almost 50 percent of all taxpayers had someone else fill out their tax forms for them during the 1977 and 1978 filing seasons.

GAO set out to demonstrate that by bringing together individuals having expertise in writing, graphic design, and tax law, the tax forms and instructions used by over 80 million Americans could be made easier to understand. The purpose of GAO's work was not necessarily to get the Government to adopt its examples of how the instructions can be rewritten and the forms redesigned. Rather, it was to show the agency responsible for developing the forms and instructions, the Internal Revenue Service (IRS), how an improved product could be developed by bringing together experts from various fields.

This is not to say that IRS has not made strides in the past several years to make the tax forms and instructions easier to read. It has. Nevertheless, GAO demonstrated that more can be done to make the forms and instructions easier to understand.

GGD-78-74

READABILITY AND DESIGN OF THE
1040 TAX PACKAGE: PROBLEMS AND
SOLUTIONS

At GAO's request, reading, writing, and design experts illustrated how Form 1040 and the related instructions--the tax package-- can be made more understandable. The experts determined that the 1040 instructions are written at a median reading level of the 10th grade. This level is above the reading skills of perhaps 13 million, or one-fourth, of the taxpayers who must use them. The experts also identified the disorganized and cluttered design of the present form and the instructions as a further stumbling block for taxpayers.

Readability can be
improved

GAO asked the experts to attempt to reduce selected sections of the 1040 instructions to the eighth or ninth grade reading levels, the lowest deemed practical. The experts succeeded. The average reading level of their rewrites was the eighth grade.

They did this by identifying and solving two problems:

- the use of long and uncommon words and
- the use of long and complicated sentences.

In their rewrites the experts substituted more familiar words and phrases such as "only" in place of "exclusively" and "choose" in place of "elect." They broke complex sentences into shorter, clearer ones each expressing a part of the information in the original sentences. They also used lists of short direct sentences each starting on a separate line with a visual marker, such as a dash, dot, or box to check.

For example, the experts rewrote the following.

From

"The personal representative can file a joint return for the person who died if the surviving spouse agrees and did not remarry during the taxable year. If a personal representative has not been appointed, the surviving spouse can still file a joint return, if he or she did not remarry during the taxable year."

To

"The personal representative can file a joint return if:

- The surviving husband or wife agrees: and
- The surviving husband or wife did not remarry during the taxable year.

The surviving husband or wife can file a joint return if:

- He or she did not remarry during the taxable year; and
- A personal representative has not been appointed.

- - - - -

From

"No credit is allowed to a nonresident alien unless the nonresident alien and his or her spouse who is a citizen or resident of the United States elect to be taxed on their worldwide income and file a joint return."

To

"Nonresident aliens may receive the credit only if:

- they are married to a resident or citizen of the U.S.; and
- they file a joint return; and
- they include all worldwide income on that joint return."

(See pp. 11 to 22 and appendix II for details.)

Design can be improved

The graphic design experts GAO hired identified and solved a number of problems which make the form and instructions difficult:

- The lines of information on the 1040 are too close together and look too much alike.
- The instruction pages have insufficient margins and spacing.
- The instructions do not address Form 1040 on a line-by-line basis.
- The instructions neither begin with, nor flow logically from, the information the taxpayer needs first.
- The type used for printing the form and instructions does not clearly differentiate between

special and general information. The designers solved these problems by changing types, redesigning the form and the instruction page, and suggesting how the instructions should be organized. (See pp. 23 to 34.)

The existing form and two alternatives are shown on the next three pages. All forms have been reduced slightly in size to fit the dimensions of this report. The actual size would be about 8 x 11 inches. The forms were redesigned to show graphic changes. While the language on them generally reflects directions and other information on the current 1040, the writing was not reviewed to ensure complete technical accuracy.

1040 U.S. Individual Income Tax Return 1977

Department of the Treasury—Internal Revenue Service

For the year January 1–December 31, 1977, or other taxable year beginning _____, 1977 ending _____, 19__

Use IRS label. Otherwise, print or type.

First name and initial (if joint return, give first names and initials of both) _____ Last name _____ Your social security number _____

Present home address (Number and street, including apartment number, or rural route) _____ Spouse's social security no. _____

City, town or post office, State and ZIP code _____

Occu-
pation Yours Spouse's

Presidential Election Campaign Fund Do you want \$1 to go to this fund? Yes No

If joint return, does your spouse want \$1 to go to this fund? Yes No

Note: Checking "Yes" will not increase your tax or reduce your refund.

Filing Status Check Only One Box

1 Single

2 Married filing joint return (even if only one had income);
Married filing separately. If spouse is also filing, give spouse's social security number in the space above and enter full name here _____

3 Unmarried Head of Household. Enter qualifying name _____ See page 7 of Instructions.

4 Qualifying widow(er) with dependent child (Year spouse died 19__). See page 7 of Instructions.

Exemptions

Always check the "Yourself" box. Check other boxes if they apply.

6a Yourself 65 or over Blind

b Spouse 65 or over Blind

c First names of your dependent children who lived with you _____

Enter number of boxes checked on 6a and b

Enter number of children listed

d Other dependents:	(2) Relationship	(3) Number of months lived in your home.	(4) Did dependent have income of \$750 or more?	(5) Did you provide more than one-half of dependent's support?
(1) Name				

Enter number of other dependents

7 Total number of exemptions claimed Add numbers entered in boxes above

Income

8 Wages, salaries, tips, and other employee compensation. (Attach Forms W-2. If unavailable, see page 5 of Instructions.)	8	
9 Interest income. (If over \$400, attach Schedule B.)	9	
10a Dividends (if over \$400, attach Schedule B) 10b less exclusion Balance	10c	
(If you have no other income, skip lines 11 through 20 and go to line 21.)		
11 State and local income tax refunds (does not apply if refund is for year you took standard deduction)	11	
12 Alimony received	12	
13 Business income or (loss) (attach Schedule C)	13	
14 Capital gain or (loss) (attach Schedule D)	14	
15 50% of capital gain distributions not reported on Schedule D	15	
16 Net gain or (loss) from Supplemental Schedule of Gains and Losses (attach Form 4797)	16	
17 Fully taxable pensions and annuities not reported on Schedule E	17	
18 Pensions, annuities, rents, royalties, partnerships, estates or trusts, etc. (attach Schedule E)	18	
19 Farm income or (loss) (attach Schedule F)	19	
20 Other (state nature and source—see page 9 of Instructions)	20	
21 Total income. Add lines 8, 9, and 10c through 20	21	

Adjustments to Income (If none, skip lines 22 through 27 and enter zero on line 28.)

22 Moving expense (attach Form 3903)	22	
23 Employee business expenses (attach Form 2106)	23	
24 Payments to an individual retirement arrangement (from attached Form 5329, Part III)	24	
25 Payments to a Keogh (H.R. 10) retirement plan	25	
26 Forfeited interest penalty for premature withdrawal	26	
27 Alimony paid (see page 11 of Instructions)	27	
28 Total adjustments. Add lines 22 through 27	28	
29 Subtract line 28 from line 21	29	
30 Disability income exclusion (sick pay) (attach Form 2440)	30	
31 Adjusted gross income. Subtract line 30 from line 29. Enter here and on line 32. If you want IRS to figure your tax for you, see page 4 of the Instructions	31	

Please Attach Copy B of Forms W-2 Here

Please Attach Check or Money Order Here

Tax Computation

32 Amount from line 31

33 If you itemize deductions, enter excess itemized deductions from Schedule A, line 41
 If you do NOT itemize deductions, enter zero
 Caution: If you have unearned income and can be claimed as a dependent on your parent's return, check here and see page 11 of the Instructions. Also see page 11 of the Instructions if:
 ● You are married filing a separate return and your spouse itemizes deductions, OR
 ● You file Form 4563, OR
 ● You are a dual-status alien.

34 Tax Table Income. Subtract line 33 from line 32
 Note: See Instructions for line 35 on page 11. Then find your tax on the amount on line 34 in the Tax Tables. Enter the tax on line 35. However, if line 34 is more than \$20,000 (\$40,000 if you checked box 2 or 5) or you have more exemptions than those covered in the Tax Tables for your filing status, use Part I of Schedule TC (Form 1040) to figure your tax. You must also use Schedule TC if you file Schedule G (Form 1040), Income Averaging.

35 Tax. Check if from Tax Tables or Schedule TC

36 Additional taxes. (See page 12 of Instructions.) Check if from Form 4970, Form 4972, Form 5544, Form 5405, or Section 72(m)(5) penalty tax

37 Total. Add lines 35 and 36

32		
33		
34		
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Credits

38 Credit for contributions to candidates for public office

39 Credit for the elderly (attach Schedules R&RP)

40 Credit for child and dependent care expenses (attach Form 244)

41 Investment credit (attach Form 3468)

42 Foreign tax credit (attach Form 1116)

43 Work Incentive (WIN) Credit (attach Form 4874)

44 New jobs credit (attach Form 5884)

45 See page 12 of Instructions

46 Total credits. Add lines 38 through 45

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Other Taxes

47 Balance. Subtract line 46 from line 37 and enter difference (but not less than zero)

48 Self-employment tax (attach Schedule SE)

49 Minimum tax. Check here and attach Form 4625

50 Tax from recomputing prior-year investment credit (attach Form 4255)

51 Social security tax on tip income not reported to employer (attach Form 4137)

52 Uncollected employee social security tax on tips (from Form W-2)

53 Tax on an individual retirement arrangement (attach Form 5329)

54 Total tax. Add lines 47 through 53

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Payments

55 Total Federal income tax withheld (attach Forms W-2, W-2G, and W-2P to front)

56 1977 estimated tax payments (include amount allowed as credit from 1976 return)

57 Earned income credit. If line 31 is under \$8,000, see page 2 of Instructions. If eligible, enter child's name

58 Amount paid with Form 4868

59 Excess FICA and RRTA tax withheld (two or more employers)

60 Credit for Federal tax on special fuels, etc. (attach Form 4136)

61 Credit from a Regulated Investment Company (attach Form 2439)

61a See page 13 of Instructions

62 Total. Add lines 55 through 61a

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61a		

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61a		

Refund or Due

63 If line 62 is larger than line 54, enter amount OVERPAID

64 Amount of line 63 to be REFUNDED TO YOU

65 Amount of line 63 to be credited on 1978 estimated tax

66 If line 54 is larger than line 62, enter BALANCE DUE. Attach check or money order for full amount payable to "Internal Revenue Service." Write social security number on check or money order
 (Check if Form 2210 (2210F) is attached. See page 14 of Instructions.)

62		
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66		

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

Please Sign Here

Your signature _____ Date _____

Spouse's signature (if filing jointly, BOTH must sign even if only one had income) _____

Paid preparer's signature and identifying number (see instructions) _____

Paid preparer's address (or employer's name, address, and identifying number) _____

6

32	Amount from line 31	32
33	If you itemize deductions, enter excess itemized deductions from Schedule A, line 41	
	If you do NOT itemize deductions, enter zero	33
	<i>Caution: If you have unearned income and can be claimed as a dependent on your parent's return, check here and see page 11 of the Instructions. Also see page 11 of the Instructions if: • You are married filing a separate return and your spouse itemizes deductions, OR • You file Form 4563, OR • You are a dual-status alien.</i>	
34	Tax Table Income. Subtract line 33 from 32	34
35	Tax. Check if from Tax Tables or Schedule TC. See Instructions for line 35 on page 11.	35
36	Additional taxes. (See page 12 of Instructions.) Check if from Form 4970, Form 4972, Form 5544, Form 5405, or Section 72(m)(5) penalty tax	36
37	Total. Add lines 35 and 36	37

7

38	Credit for contributions to candidates for public office	38
39	Credit for the elderly (attach Schedules R&RP)	39
40	Credit for child and dependent care expenses (attach Form 2441)	40
41	Investment credit (attach Form 3468)	41
42	Foreign tax credit (attach Form 1116)	42
43	Work Incentive (WIN) Credit (attach Form 4874)	43
44	New jobs credit (attach Form 5884)	44
45	See page 12 of Instructions	45
46	Total credits. Add lines 38 through 45	46
47	Balance. Subtract line 46 from line 37 and enter difference (but no less than zero)	47

8

48	Self-employment tax (attach Schedule SE)	48
49	Minimum tax. Check here attach Form 4625	49
50	Tax from recomputing prior-year investment credit (attach Form 4255)	50
51	Social security tax on tip income not reported to employer (attach Form 4137)	51
52	Uncollected employee social security tax on tips (from Form W-2)	52
53	Tax on an individual retirement arrangement (attach Form 5329)	53
54	Total tax. Add lines 47 through 53	54

9

55	Total Federal income tax withheld (attach Forms W-2, W-2G, and W-2P to front)	55
56	1977 estimated tax payments (include amount allowed as credit from 1976 return)	56
57	Earned income credit. If line 31 is under \$8,000, see page 2 of Instructions. If eligible, enter child's name	57
58	Amount paid with Form 4868	58
59	Excess FICA and RRTA tax withheld (two or more employers)	59
60	Credit for Federal tax on special fuels, etc. (attach Form 4136)	60
61	Credit from a Regulated Investment Company (attach Form 2439)	61
61a	See page 13 of Instructions	61a

10

62	Total. Add lines 55 through 61a	62
63	If line 62 is larger than line 54, enter amount OVERPAID	63
64	Amount of line 63 to be REFUNDED TO YOU	64
65	Amount of line 63 to be credited on 1978 estimated tax	65
66	If line 54 is larger than line 62, enter BALANCE DUE. Attach check or money order for full amount payable to "Internal Revenue Service." Write social security number on check or money order. (Check if Form 2210 (2210F) is attached. See page 14 of Instructions.)	66

11

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

Your signature _____ Date _____ Spouse's signature (if filing jointly, BOTH must sign even if only one had income)

Paid preparer's signature and identifying number (see instructions)

Paid preparer's address (or employer's name, address, and identifying number)

Personal Information

Use the 1040 instruction booklet to fill out this form. Read the Privacy Act Notice. Place IRS name label over lines 1 and 2.

1 First your first name and middle initial... 2 Your home address... 3 Your social security number... 4 This form covers the year Jan. 1 - Dec. 31, 1978... 5 Do you want \$1 to go to this fund?

Filing Status

Please check only one item. Answer questions fully.

6 Single... 7 Married filing joint return... 8 Married filing separately... 9 Unmarried Head of Household... 10 Qualifying widow(er) with dependent child.

Exemptions Claimed

Check all your exemptions.

11 Yourself... 12 Spouse... 13 First names of your dependent children... 14 Names of other dependents... 15 Total number of exemptions claimed.

Income

Answer questions 16 through 18c and skip to line 29 if you have no other income. Please attach copy B of your W-2 form.

16 Wages, salaries, tips, and other employee compensation... 17 Interest income... 18a Dividends... 18b Exclusion... 18c Balance... 19 State and local income tax refunds... 20 Alimony received... 21 Business income... 22 Capital gain... 23 50% of capital gain... 24 Net gain... 25 Fully taxable pensions... 26 Pensions, annuities... 27 Farm income... 28 Nature and source of other income... 29 Total income.

Adjusting Income

If you have no adjustments write zero on line 36 and skip to line 37.

30 Moving expense... 31 Employee business expenses... 32 Payments to an individual retirement arrangement... 33 Payments to a Keogh... 34 Forfeited interest penalty... 35 Alimony paid... 36 Total adjustments.

Adjusted Gross Income

Be sure to double check your math in this section.

37 Subtract line 36 from line 29... 38 Disability income exclusion... 39 Adjusted gross income.

Computing Tax

Be sure to refer to the correct tax table or schedule when figuring your tax.

40	Adjusted Gross Income amount from line 39	\$	
41	If you itemize deductions, enter excess itemized deductions from Schedule A, line 41. If you do not itemize deductions, enter zero	-\$	
42	Tax Table income. Subtract line 41 from line 40	\$	
43	Check if from <input type="radio"/> Tax Table or <input type="radio"/> Schedule TC		
44	<input type="radio"/> Check here if you have unearned income and can be claimed as a dependent on your parents' return		
45	Tax	\$	
46	Additional taxes. Check if from <input type="radio"/> Form 4970 <input type="radio"/> Form 4972 <input type="radio"/> Form 5644 <input type="radio"/> Form 5404 <input type="radio"/> Section 72(m) (5) penalty tax	\$	
47	Total. Add lines 45 and 46	\$	

Credits

If you have no credits write zero on line 56 and skip to line 57.

48	Credit for contributions to candidates for public office	\$	
49	Credit for the elderly (attach Schedules R & RP)	\$	
50	Credit for child and dependent care expenses (attach Form 2441)	\$	
51	Investment credit (attach Form 3468)	\$	
52	Foreign tax credit (attach Form 1116)	\$	
53	Work incentive (WIN) Credit (attach Form 4874)	\$	
54	New jobs credit (attach Form 5884)	\$	
55	Energy credit	\$	
56	Total credits. Add lines 48 through 55	-\$	
57	Balance. Subtract line 56 from line 47 and enter difference (but not less than zero)	\$	

Other Taxes

If you have no other taxes write zero on line 64 and skip to line 65.

58	Self-employment tax (attach Schedule SE)	\$	
59	Minimum Tax. Check here <input type="radio"/> and attach Form 4625	\$	
60	Tax from recomputing prior-year investment credit (attach Form 4255)	\$	
61	Social security tax on tip income not reported to employer (attach Form 4137)	\$	
62	Uncollected employee social security tax on tips (Form W-2)	\$	
63	Tax on an individual retirement arrangement (attach Form 5329)	\$	
64	Total tax. Add lines 57 through 63	\$	

Payments

If you made no payments write zero on line 73 and skip to line 74.

65	Total Federal income tax withheld (attach Forms W-2, W-2G, and W-2P)	\$	
66	1977 estimated tax payments (include amount allowed as credit from 1976 return)	\$	
67	Earned income credit. If eligible, enter child's name ▶	\$	
68	Amount paid with Form 4868	\$	
69	Excess FICA and RRTA tax withheld (two or more employers)	\$	
70	Credit for Federal tax on special fuels, etc. (attach Form 4136)	\$	
71	Credit from a Regulated Investment Company (attach Form 2439)	\$	
72	Energy Credit	\$	
73	Total Payments. Add lines 65 through 72	\$	

Refund or Amount Owed

Be sure to double check your math in this section.

74	If line 73 is larger than line 64, enter amount you overpaid	\$	
75	Amount from line 74 to be credited on your 1979 estimated tax	-\$	
76	Amount from line 74 to be refunded to you. Subtract line 75 from line 74	\$	
77	<input type="radio"/> Check here if Form 2210 (2210F) is attached		
78	If line 64 is larger than line 73, enter amount you owe. Attach check or money order for the full amount to the front of this form. Make it payable to "Internal Revenue Service" and include your social security number.	\$	

Please Sign Here

Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief it is true, correct, and complete.

Declaration of preparer (other than taxpayer) is based on all information of which preparer has any knowledge.

Your signature	Date
Spouse's signature (if filing jointly, both must sign even if only one had income)	Date
Paid preparer's signature	Identifying number
Paid preparer's firm name and address	Identifying number

WHY FURTHER IMPROVEMENTS IN
THE TAX FORMS AND INSTRUCTIONS
HAVE NOT BEEN MADE

During the last 2 years, IRS has shown an increased concern about the readability and understandability of the tax forms and instructions. This is an encouraging sign. Indeed, during 1978 IRS plans to rewrite the 1040 and 1040A instructions to make them easier to understand. However, IRS plans are not sufficiently comprehensive to make the tax packages help the taxpayers as they should.

Over the years, IRS has been most concerned with making sure that the tax forms and instructions accurately reflect the tax laws. In its quest for technical precision, it has seldom adequately drawn on the writing and design skills of either its own employees or outside experts to improve readability.

Obviously, the tax forms and instructions must not mislead taxpayers, but understandability should receive equal emphasis with technical accuracy. The current process IRS uses to determine what goes on the tax forms and in the instructions diffuses responsibility for decisionmaking. It is not fixed at a high enough management level to ensure a proper balance between technical accuracy and understandability.

An 11-member Tax Forms Coordinating Committee, made up of middle management representatives from various IRS offices, is primarily responsible for approving the tax forms and instructions. The Committee receives recommendations for changes from tax law specialists. The specialists have technical backgrounds that enable them to analyze tax laws, court decisions and IRS regulations which the forms and instructions must reflect. They do not, however, have the expertise to adequately write and design material that the general public can

easily understand. Tax law specialists are usually former IRS auditors.

Top management in IRS rarely becomes involved in decisions regarding the tax forms and instructions. When it does it is on a nonsystematic basis. There is no assurance that parochial views within IRS do not dominate the decision-making process regarding what goes on the tax forms and in the instructions.

The extent to which these actions have resulted in technical accuracy overshadowing understandability is discussed in chapter 3.

WHAT IT MIGHT COST TO IMPROVE THE TAX FORMS AND INSTRUCTIONS

In 1977, IRS spent about \$12.5 million to print and distribute 85 million 1040 and 1040A tax packages--an average of about 15 cents per package. Revising the tax packages will probably result in increased printing and mailing costs. If the advice of the experts GAO used was followed, the revised packages would probably contain more color and pages. Added to the increased cost for printing and mailing will be the cost for rewriting, redesigning, and field testing the proposed changes before using them.

The total amount of increased cost cannot be precisely determined until IRS develops a detailed improvement plan. But some general estimates are possible. These are discussed in detail on pages 37 through 40 of the report. Overall, GAO estimates that it would require a one-time investment of about \$900,000 and recurring annual costs of about \$3.3 million to bring about the type of improvements the experts thought would be necessary. Spread over 85 million packages, this increase for the first year comes to only about 5 cents for each tax package. It would be less for subsequent years.

RECOMMENDATIONS TO IRS

GAO recommends that the Commissioner of Internal Revenue:

- Establish a special task force to undertake a full-time comprehensive effort to improve the tax forms and instructions. The task force should be under the direct supervision of the Deputy Commissioner of Internal Revenue and have authority to use outside writing and design experts to assist in the effort.
- After establishing the task force, require it, within as short a timeframe as possible, to develop a comprehensive plan and, among other things, detail the specific improvement goals it expects to achieve, specify the timeframes for achieving them, and present estimates of the cost of the effort.
- Initiate action, after developing the cost estimates, to reprogram funds already appropriated to support the task force's effort. (These funds would be directed to the one-time costs for re-designing, rewriting, and testing the tax packages.)

These and related recommendations to the Commissioner are discussed in detail on pages 56 and 57 of the report.

RECOMMENDATIONS TO THE CONGRESS

Because of the importance of the simplification effort and the need for the Congress to support it by providing funds to implement the improvements, GAO recommends that the Congress hold hearings to review with IRS its plans for improving the tax forms and instructions and the progress being made. Such hearings would also enable the Congress to better ensure that IRS gets

the funds needed to implement the suggested improvements.

IRS REACTION

The Commissioner of Internal Revenue agreed with GAO's conclusions and will take action to implement the intent of GAO's recommendations. (See app. I.)

The positive response by IRS is encouraging. However, GAO still has some particular concerns regarding the organizational structure IRS will establish to carry out the simplification effort. These are discussed on page 58 of the report.

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ABBREVIATIONS

APL	Adult Performance Level Study
ETS	Educational Testing Service
GAO	General Accounting Office
IRS	Internal Revenue Service
NIE	National Institute of Education, Department of Health, Education, and Welfare

CHAPTER 1

INTRODUCTION

Each year millions of Americans face the bewildering and frustrating task of filling out their income tax returns. The ultimate way to help taxpayers prepare their returns is to simplify the tax laws. But, regardless of changes to the law, much can be done to make the tax forms and instructions more understandable for the taxpayer. Getting this kind of simplification takes the willingness and commitment of the Government. To date, that commitment has not been what it could be.

The main concern of the Government agency primarily in a position to do something, the Internal Revenue Service (IRS), has been to make certain that the forms and instructions accurately reflect the tax laws. Concern for technical accuracy is obviously necessary; the forms and instructions must not mislead people. This concern, however, has overshadowed the need to make the forms and instructions easy to read and follow. Certainly, the accuracy of the forms and instructions has no value unless people understand what is being said.

Over the past year IRS has improved the format of Forms 1040 and 1040A. ^{1/} IRS also plans to rewrite next year's 1040 and 1040A instructions to make them easier to understand. However, even more can be done to improve readability without sacrificing technical accuracy. And that is what this report is about.

We give examples of how the instructions can be rewritten and Form 1040 redesigned. It is not necessarily our goal to have these examples used by IRS. Rather, our purpos

^{1/}Both forms are titled "U.S. Individual Income Tax Return." However, the 1040 is referred to as the "long" form and must be used by taxpayers who itemize their deductions. The 1040A, the simpler of the two to use, is called the "short" form and can be used by taxpayers who do not itemize their deductions and meet certain other criteria. IRS estimates that half of the taxpayers in 1978 will use Form 1040 while the remaining half will use the Form 1040A.

is to show that

- the forms and instructions can be made easier to read and understand without sacrificing technical accuracy and
- the cost to re-do the forms and instructions is minimal when compared to the benefits for both the taxpayer and the Government.

WHY PEOPLE NEED BETTER DESIGNED
FORMS AND EASIER TO UNDERSTAND
INSTRUCTIONS

Our tax system is based upon voluntary compliance and self-assessment. Each person is responsible for (1) determining whether he is required to file a tax return, (2) determining the amount of tax owed, and (3) paying that amount. To do this, people must know what the tax law requires. This is where the tax forms and instructions should help. The two are intended to help people understand and comply with the tax requirements. However, there are several indications that the forms and instructions are not doing this.

Many taxpayers pay others to prepare their returns because the tax instructions are too difficult for them to understand. According to IRS figures, about 50 percent of the almost 84 million individuals who filed returns during 1977 paid accountants, attorneys, commercial preparers, or others to make out their returns. Broken down by tax form, about 66 percent of the 55 million Form 1040s and 20 percent of the 29 million Form 1040As were done by paid preparers. The taxpayers who filed these returns were from all income levels.

In 1977 the Roper Organization, Inc., an opinion polling firm, interviewed a nationwide cross section of adults about their understanding of the Federal income tax system and their attitude toward it. Of the 1,656 adults interviewed who filed a tax return, 54 percent said they went to professional preparers. Of these, about half said they did so because the requirements for paying taxes and the instructions for the form were too difficult to understand.

One way to decrease the number of taxpayers who believe they must use paid preparers is to change the filing requirements so that more people can use the short form.

Recent legislation did this, especially the Tax Reduction and Simplification Act of 1977. The 67 million returns processed through May 31, 1978, show an upward trend in the use of Form 1040A and a downward trend in the use of paid preparers. Of these returns, 47 percent have been 1040As as compared to 35 percent for all of 1977. Overall, about 43 percent of the 1978 returns had been done by paid preparers. By type of return, paid preparers did 21 percent of the 32 million 1040As and 63 percent of the 35 million 1040s. More understandable forms and instructions would further decrease these percentages.

Millions of taxpayers telephone IRS for help in preparing their tax returns. During the 1977 filing season, IRS received an estimated 7.9 million phone calls from taxpayers who had questions about their taxes. ^{1/} They wanted information, for example, about earned income credits, dependents, home sales, and whether they had to file a return. More understandable instructions would have reduced the number of these calls.

Many returns received by IRS contain errors that may be due in part to taxpayer problems in understanding the tax instructions. IRS checks all individual returns for mathematical and clerical errors. Clerical errors include the incorrect use of any table, inconsistent entries, and missing information. Of the almost 84 million returns processed in 1977, about 10.3 percent contained mathematical and/or clerical errors. While some of these were simply arithmetic errors (about 27 percent), others may have been caused by taxpayers not reading the instructions correctly or not understanding them. For example, 3 percent of the errors involved situations where the taxpayers had failed to identify the child that qualified them for a tax credit.

The error rate for the 1978 filing season has dropped significantly from the rate for the 1977 season based on the

^{1/}IRS received an estimated 15.5 million phone calls from January 1 to April 15, 1977--the 1977 filing season. IRS monitored a nationwide sample of about 168,000 of these phone calls to determine the questions asked and the accuracy of its answers. About 7.6 million calls (49 percent) did not relate to problems on individual tax returns but concerned such things as requests for forms, refund procedures, and audit procedures.

returns processed by IRS as of May 31, 1978. As of then, about 5.6 percent of the returns contained errors. Most of the drop in the error rate is a result of a 76-percent decrease in the number of mathematical errors in computing the tax owed--from 6.3 percent in 1977 to 1.5 percent in 1978. Although we have not made a detailed analysis of why the drop occurred, a reduced error rate in computing tax owed was predictable because of changes made by the Tax Reduction and Simplification Act of 1977. The act eliminated the need to compute a general tax credit, provided a zero bracket amount to replace the percentage standard deduction thus reducing the number of people who have to itemize deductions, and provided tax tables so most people having taxable income of \$20,000 or less could look up their tax in a table. ^{1/} There has, however, been no appreciable change in the clerical error rate between the 1977 and 1978 filing seasons.

Many people apparently believe the Government is too big, too mired in red tape, or too aloof to care about the average person. The tax system seems to get a large share of such criticism. Giving people tax forms and instructions they can readily use would help show that the Government does care and that it wants and is trying harder to ease the burden of filing tax returns. If this were done, both taxpayers and the Government would benefit. Taxpayers would find it easier to fill out their own returns, and to do so correctly, while the Government would find it easier to administer the tax laws.

WHAT WE DID

At the request of the Joint Committee on Taxation, we determined if the tax forms and instructions could be made easier to read and understand. We centered our attention on the Form 1040 and its instruction "package."

IRS annually mails each taxpayer a package of tax forms and instructions. Five different packages were sent for the 1978 filing season. The one a taxpayer received depended on the forms he filed in 1977. Four of the packages included

^{1/}The \$20,000 applies to taxpayers filing their returns as "single," "unmarried head of household," or "married filing separately." The tables cover taxable income of \$40,000 or less for taxpayers filing as "married filing jointly" or "surviving spouse."

Form 1040; the fifth one contained Form 1040A. The four 1040 packages varied according to whether the taxpayer would probably

- have farm income (about 2.6 million packages mailed),
- have business or professional income or losses (about 8.3 million packages mailed),
- have capital gains or losses without farm, business, or professional income or losses (about 10.5 million packages mailed), or
- itemize their personal deductions or have more than \$400 in interest or dividends but not have income, gains, or losses from the above sources (about 23.6 million packages mailed).

In total, about 44.9 million people were sent the 1040 packages while the 1040A packages went to 37.6 million people.

We gave the 1040 form and/or parts of the instructions used for the 1978 filing season to selected writing and design experts. We asked these experts to determine if the form and instructions could be significantly improved and, if so, to illustrate how. The individuals and firms who helped us were

Writing Experts

Dr. Layman E. Allen
University of Michigan
Law School

Dr. Allen has developed certain techniques to simplify legalistic writing.

Dr. Roy J. Butz
Director, Reading and Language
Center
Oakland County (Michigan)
Intermediate School District

The center conducts research in communication and evaluates the school district's English curriculums.

Basic Skills Group
National Institute of Education
Department of Health, Education
and Welfare

The Group supports research and development to, in part, improve the educational practices in the reading, writing, and mathematical areas.

The Reader's Digest
Pleasantville, N.Y.

The "Digest" is a mass circulation magazine written for the general public.

Scott, Foresman and Co.
Glenview, Ill.

This firm publishes textbooks for all grades--elementary school, high school, and college.

Design Experts

Mr. Andrew Kner
New York, N.Y.

Mr. Kner is the Executive Promotion Art Director for the "New York Times" newspaper.

Siegel and Gale, Inc.
New York, N.Y.

This firm specializes in graphic design and in simplifying the language of legal instruments such as insurance policies.

Because these people and firms were not income tax experts and did not consult with IRS, we had their rewrites reviewed by the Special Committee on Simplification, Tax Section, American Bar Association; and the Tax Forms Subcommittee, Federal Tax Division, American Institute of Certified Public Accountants. These groups found the rewrites to be generally accurate in reflecting the tax laws. They did not review the work done by our design experts.

We also traced the IRS process for developing the forms and instructions. We did this to learn what actions IRS has taken to make the forms and instructions easier to read and understand. In tracing the development steps, we interviewed IRS employees and reviewed pertinent files and records, primarily at the IRS headquarters in Washington, D.C.

CHAPTER 2

READABILITY AND DESIGN OF THE

1040 PACKAGE: PROBLEMS AND SOLUTIONS

Unfortunately, the current 1040 packages are written at a reading level beyond that of many taxpayers. A further stumbling block for taxpayers is the disorganized and cluttered design of the forms and instructions. The complexity of the tax laws causes many of these problems.

But IRS does not have to wait for the Congress to simplify the laws before beginning to make other improvements. The writing and graphic design experts we used demonstrated that much can be done to make the forms and instructions more readable and understandable for the average taxpayer. The problems they identified and some of their suggested solutions are in this chapter; others are in appendix II.

The suggested improvements would increase the cost of the tax packages by only about 5 cents per package. The total cost would be less than one percent of IRS proposed budget for fiscal year 1979. We consider this a small price to pay for the benefits that would accrue to both the Government and the taxpayer.

READING LEVEL OF 1040 INSTRUCTIONS IS TOO HIGH

There is no evidence that clearly shows the average reading level of taxpayers. The limited data that is available, however, shows that possibly one-fourth of the taxpayers that file Form 1040 read below the level of an average 10th grade student. It is not easy for these taxpayers to prepare their returns because the median reading level of the 1040 instructions is above their reading skills.

The high reading level of the instructions is caused by such problems as the use of long and uncommon words, use of long and complicated sentences, and poor presentation of complex decisions and procedures. The reading and writing experts we used showed how these problems can be reduced to make the forms more readable for taxpayers through use of more familiar words, better sentence construction, and more effective use of visual aids.

Reading Level of the 1040 instructions

Dr. Roy J. Butz, Director of Michigan's Oakland County Reading and Language Center, performed a readability analysis 1/ on the 1977 1040 instructions for us. He found that the median reading level of the instructions in the most commonly used tax package was the 10th grade. The analysis showed that a person having:

- 10th grade reading skills would be able to read about 53 percent of the instructions.
- 11th grade reading skills would be able to read only 82 percent of the instructions.
- 12th grade reading skills would be able to read about 90 percent of the instructions.

We also asked the National Institute of Education's (NIE's) Basic Skills Group to make a readability analysis of selected sections of the 1977 Form 1040 instructions. The sections we selected were the Earned Income Credit, General Instructions, Filing Status, Sale of Personal Residence and other parts of the instructions for Schedule D (Capital Gains and Losses), and the instructions for Schedules R and RP (Credit for the Elderly).

NIE applied at least two readability formulas to each

1/The analysis was performed using the "Joos-Butz Readable-A" readability formula, a computerized version of the Dale-Chall Readability Formula. The formula is based on the average sentence length and the frequency of uncommon words. Readability formulas generally compare the analyzed text to material which is understandable to people at various levels. The formulas we use in this report measure the material based on reading grade levels--the level which the average student in that grade is expected to read. For example, material which the formula measures as 10th grade level should be understandable by anyone with the reading skills of an average 10th grader.

of these sections and averaged the results. 1/ The average reading level of these sections ranged from the 9th to 12th grade. These results are comparable to those of Dr. Butz.

The significance of the reading level at which the instructions are written becomes more apparent when considering the reading ability of the taxpayers who use them (see pages 9 to 11). Most of the sections tested, as shown below, affect all taxpayers or specifically affect low income and elderly taxpayers.

<u>Section</u>	<u>Reading level of section</u>	<u>Taxpayers most affected</u>
General instructions	10th grade	All
Filing status	9th grade	All
Earned income credit	10th grade	Low income
Schedule R instructions	11th grade	Elderly
Schedule RP instructions	12th grade	Elderly

Taxpayer reading skills

We found no data that clearly showed how well taxpayers read. However, data compiled by the Educational Testing Service (ETS) gives some indication. In a 1971 study on the educational progress of American high school students, ETS, using a typical standardized reading test, found that as many as 32 percent of 12th grade students read below the 10th grade level. More recent ETS data indicates that this percentage has not improved since 1971. ETS statistics on high school students who had taken the Scholastic Aptitude Test for college entrance showed that the average scores for reading and comprehension dropped steadily between 1967 and 1977.

Another study, conducted in 1975 by the University of Texas at Austin, estimated that 22 percent of American adults read at or below the eighth grade level. This "Adult Performance Level Study" (APL) tested the ability

1/ NIE used both the Fry Readability Formula and the Dale-Chall Readability Formula on all sections. The Fry formula is based on the word length in syllables and on sentence length in words. The Dale-Chall formula is based on the average sentence length and the frequency of uncommon words.

of adults to apply the skills of reading, writing, computation, and problem solving in everyday life situations. In the area of reading skills, adults were tested on their ability to read and interpret (1) a newspaper grocery ad, (2) a newspaper want ad, (3) a movie schedule, (4) a pamphlet on an individual's rights after arrest, and (5) a health insurance policy. The results, projected to the American adult population, indicated that 54 percent read at or below the 11th grade level and that about 22 percent read at or below the eighth grade level.

While the APL and ETS studies both indicate how well taxpayers read, the ETS finding is more conservative. We therefore used it to estimate the number of taxpayers who could be adversely affected by the Form 1040 instructions being written at the 10th grade level.

According to the Bureau of the Census, the educational attainments of the adult population aged 25 and over as of March 1977 were as follows.

<u>Educational level attained</u>	<u>Percent of adult population</u>	
High school and some college		29
High school only	36	
Eight to less than 12 full years	24	
Under 8 years	<u>11</u>	<u>71</u>
		<u>100</u>

As the table shows, 29 percent of the adult population have had some college education and 71 percent have had a high school education or less. We assumed that those who have had some college can read at least as well as 12th grade students should--at the 12th grade level. We also assumed that the 71 percent who have a high school education or less read as well as 12th grade students do. Since ETS found that 32 percent of all 12th grade students read below the 10th grade level, we assumed that 32 percent of those people not having some college education read below the 10th grade level. Given these assumptions, we estimate that perhaps 12.5 million of the 55 million taxpayers who filed Form 1040 returns in 1977 had difficulty in reading and understanding the instructions.

Educational data on the elderly and disadvantaged minorities indicate that they may have more severe problems in reading and understanding the 1040 instructions than taxpayers generally. In 1978, the National Institute of Education published a report written by Donald Fisher of the University of Michigan which said that people over age 50 have an average educational level of about the 10th grade. Because the median at which the 1040 instructions are written is the 10th grade, elderly taxpayers are more likely to have problems in understanding the instructions than taxpayers as a whole.

Disadvantaged minorities probably have similar problems. A 1975 report issued by the Educational Commission of the States indicated that blacks have lower educational levels than average and do not read as well as whites. The report also said that in reading tests using income tax materials, blacks scored lower than whites.

READING AND WRITING EXPERTS SHOWED
HOW READABILITY OF THE 1040
INSTRUCTIONS CAN BE IMPROVED

We asked selected reading and writing experts to see if they could improve the readability of the 1040 instructions. Specifically, we asked that they focus on the following five sections or parts of them:

- Earned Income Credit.
- Dependents.
- General Instructions.
- Filing Status.
- Schedule R Instructions.

The first four of these sections were among those on which IRS received the most telephone inquiries during the 1977 filing season. 1/ The Schedule R instructions were selected because they particularly affect the elderly.

1/The telephone inquiries for General Instructions involved primarily the "Who Must File" part.

We also asked the experts to attempt to rewrite these sections to the eighth or ninth grade reading levels, the lowest levels deemed practical. They succeeded. The average reading level of the IRS material was the 10th grade. The experts rewrote the material to an average level of the eighth grade. 1/

Specific readability problems in the 1040 instructions and their solutions

The experts reduced the reading level of the instructions by identifying and solving two major problems

- the use of long and uncommon words and
- the use of long and complicated sentences.

These problems and the solutions of the experts are discussed below.

Long and uncommon words can be defined or replaced with more familiar words

IRS uses many long, technical or other unfamiliar words in the 1040 instructions. The NIE experts identified such words as one cause of taxpayer difficulty in reading and understanding the instructions. These words are not a part of many taxpayers' vocabulary. Thus, the meanings are either unknown or unclear. This confuses rather than clarifies the instructions for these taxpayers.

A reader's familiarity with the vocabulary used in the material he is reading is an important factor in comprehension. In an April 28, 1977, letter to the House Ways and Means Subcommittee on Oversight, Dr. Fred Pryczek of California State University stated that numerous studies have identified vocabulary as the single most important factor in reading comprehension. He said that substitution of more familiar words for technical terms could result in the greatest improvement in the 1040 instructions. He pointed out that the value of simple substitution is often overlooked by writers having superior vocabulary knowledge and reading skills.

1/NIE experts used at least two readability formulas and averaged the results to test each section.

Words in the 1040 instructions are identified as unfamiliar by each taxpayer based on his own vocabulary. But certain words are unfamiliar to many taxpayers. Among these, our experts identified such words as "qualifies", "exclusively" and "elect."

In rewriting sections of the 1040 instructions, they replaced these words with more familiar words and phrases. From their rewrites, we selected the following examples.

Unfamiliar words

Qualifies
Retained
Entire
Student dependent
Premiums
Deceased
Spouse
Exclusively
Elect

Substitution

Makes you able
Kept
All
Student you support
Costs
Dead
Husband or wife
Only
Choose

Substitution must be used with caution. Some words in the 1040 instructions, such as exemption, cannot be substituted for correctly because of their specialized use and meaning. The experts said that such words should be limited to the extent possible and defined simply or explained in the text.

But overall, substitution of familiar for unfamiliar words is a good technique for simplifying the 1040 instructions.

Long and complicated sentences
can be improved through better
grammatical construction and
use of visual aids

The NIE experts also identified long and complicated sentences as a cause of difficulty in reading and understanding the 1040 instructions. These sentences are difficult because of their grammatical structure or because they contain too much information.

Grammatical structure is the way the subject, verb and supporting words work together to form a sentence. These relationships have always been considered an important factor in reading ease and understandability. Sentences are difficult when the subject and verb are at opposite

ends or when the supporting words come before the subject and verb.

The experts also found that the 1040 instructions typically contain long sentences which present a number of qualifications or complicated conditions. The amount of information that must be remembered makes them very difficult to understand.

To read and understand a sentence a person must temporarily hold in his memory all information given. Experts say that the longer this must be done or the more bits of information that must be "stacked up," the more likely the reader is to forget some of the information. Thus, a reader has difficulty in understanding sentences if he must remember supporting words before knowing the subject and verb. The same is true when the subject and verb are separated. The problem is further compounded when the reader must mentally process several complicated conditions and/or steps while remembering the results of each.

Our experts solved these problems by using active verbs, placing qualifiers and subordinate material after the subject and verb, and keeping the subject and verb together--all of which are basic writing techniques. They broke complex sentences into shorter, clearer ones each expressing a part of the information in the original sentence. They also used lists of short direct sentences each starting on a separate line with a visual marker such as a dash, dot, or box to check.

Their techniques are illustrated by the following examples.

From

"These rules are for all U.S. citizens and resident aliens, including those under 21 years of age. These rules also apply to those nonresident aliens and resident aliens who are married to citizens or residents of the U.S. at the end of 1977 and who elect to file a joint return as discussed on page 6, under Your Filing Status."

To

"The rules below apply to everyone. They apply to U.S. citizens and to foreigners who live here. They apply to foreigners who are married to U.S. citizens and to all who are U.S. residents at the end of 1977. They also apply to people who file a 'joint return' -- in other words two married people reporting their income together."

- - - - -

From

"The 1977 income of the person who died and the income of the surviving spouse for the entire year must be included in a joint return."

To

"A joint return must include all income of the person who died and that of the surviving husband or wife for 1977."

- - - - -

From

"The personal representative can file a joint return for the person who died, if the surviving spouse agrees and did not remarry during the taxable year. If a personal representative has not been appointed, the surviving spouse can still file a joint return, if he or she did not remarry during the taxable year."

To

"The personal representative can file a joint return if:

--The surviving husband or wife agrees; and

--The surviving husband or wife did not remarry during the taxable year.

The surviving husband or wife can file a joint return if:

--He or she did not remarry during the taxable year; and

--A personal representative has not been appointed."

- - - - -

From

"No credit is allowed to a nonresident alien unless the nonresident alien and his or her spouse who is a citizen or resident of the United States elect to be taxed on their worldwide income and file a joint return."

To

"Nonresident aliens may receive the credit only if:

--they are married to a resident or citizen of the U.S.; and

--they file a joint return; and

--they include all worldwide income on that joint return."

- - - - -

From

"Did you pay more than half the cost of keeping up a home in the U.S. in which you lived and which for the entire year (except for temporary absences for vacation, school, etc.) was also the home of (1) your child who was under 19 years of age or a full-time student, OR (2) your dependent child who is disabled (see pages 7 and 8)?

Yes No
 "

To

"Did you pay more than half the cost of keeping up a home in the U.S.?"

Yes No

Did you live in this home?

Was this also the home of your child for the entire year, except for short absences such as vacation or school?

Check the statements which describe this child:

My child was:

Under 19 years of age. _____ (check)

A full-time student. _____ (check)

My dependent and was disabled. _____ (check)

Yes No

Did you check any of the statements in the box above?

 "

The techniques used by the experts made the material easier to understand. The better grammatical construction, the shorter and clearer sentences, and the visual aids allow the reader to process one idea at a time. This enables him to better evaluate the information in terms of his

particular tax circumstances. As he reads, he can readily discard the information he does not need rather than having to hold all the information in memory until he completes the sentence or paragraph.

The result: Instructions readable by more taxpayers

We asked the NIE experts to determine the reading levels of the IRS material before and after it was rewritten. They did this by applying at least two readability formulas and averaging the results. They found that the rewritten material was generally two grade levels lower than the original. The results for each section and the overall results are shown in the table below.

<u>Section of instructions</u>	<u>Grade level</u>	
	<u>IRS</u>	<u>Revision</u>
Earned Income Credit	10	8
Dependents	10	8
General Instructions	10	8
Filing Status	9	7
Schedule R Instructions	11	9
Overall	10	8

No one knows the number of taxpayers that would be helped if the reading level of the Form 1040 instructions was reduced to the eighth grade. But it is safe to assume that the number would be significant.

What others thought of the rewrites by our experts

We asked the Federal Tax Division of the American Institute of Certified Public Accountants and the Special Committee on Simplification of the Tax Section of the American Bar Association to review the technical accuracy of the rewrites done by our experts. Both groups found the rewrites to be generally accurate.

The Bar Association did not think the rewrites significantly improved the material. In meeting with us to discuss their comments, members of the Special Committee on Simpli-

fication said that the real problem lies in the law, not in the forms and instructions. Further, they said that many of the words in the current tax packages were either taken directly from the law or have an accepted legal meaning because they have been used for so long. On the whole, they did not consider the word substitutions of our experts to be much simpler and expressed concern that they could create unnecessary legal problems.

The American Institute commented more favorably. In their written response, they said that, in some cases, they consider the present text of the instructions to be better than the rewrites but that, in others, the rewrites are preferable. In yet other instances, they offered suggestions for further improving the understandability of certain parts of the instructions.

For example, they said that neither the present heading "Record-keeping" nor the proposed heading "Records" properly describes the information in that particular section. They suggested that the heading might better read "Holding On To Records" or "Retaining Records." They also recommended that the section be rewritten as follows.

"Records that support income, deductions or credits should be kept until the latest of the following dates:

- Three years after the filing of the return
- Three years after the due date of the return
- Two years after the tax was paid

Records regarding property you own should be kept after you sell the property for the same period of time shown above. The information to be kept includes:

- The date you acquired the property
- How much it cost you
- How much you spent for additions or improvements to the property

If you sold a previous residence and delayed reporting all or part of the gain on that

sale by buying a new residence, you must keep all of the records on the previous residence for the same period of time as for the new residence.

You should also keep copies of your tax returns.

Order a copy of Publication 551, Record-keeping, for more information."

As another example, they suggested that the "Who Must File" section would be simpler and clearer if the taxpayer could readily identify the limitations applicable to him. Their suggested rewrite, as shown below, does this by using two columns and highlighting both the basic classifications and special situations.

"You may not have to file a tax return this year. Whether or not you must file depends on how much income you had.

The amount of income you can make before you must file depends on many things, such as:

- 1) Whether or not you or your spouse is 65 years or older.
- 2) Whether you are single, married or a widow (widower) with a dependent child.

Check the rules listed below, but you must file if your income was over \$6,200 (if you want to check some examples of income, see page).

RULES ON WHO MUST FILE

	<u>UNDER 65</u>	<u>65 OR OLDER</u>
<u>SINGLE</u> (This includes divorced and legally separated individuals. You may also be considered single if you are an abandoned spouse; see page).		
YOU MUST FILE IF YOUR INCOME IS AT LEAST	\$2,950	\$3,700
<u>MARRIED</u> (Only if you file a joint return and were living with your spouse at December 31, 1977. You can use this category if your spouse died during 1977).		
YOU MUST FILE IF YOUR INCOME IS AT LEAST	4,700	6,200
(ONE SPOUSE 65 OR OLDER)		5,450
<u>WIDOW OR WIDOWER</u> (If your spouse died during 1975 or 1976 and you had a dependent child, see page).		
YOU MUST FILE IF YOUR INCOME IS AT LEAST	3,950	4,700
<u>SPECIAL SITUATIONS</u>		
If you are married and file separately or if you were not living with your spouse on December 31, 1977, you must file if your income is at least	750	750
If you can exclude income from within U.S. possessions, you must file if your income is at least	750	750

If you can be claimed as a dependent on your parent's return, you must file if you had unearned income (such as interest, dividends, etc.) of at least

	750	--
--	-----	----

SELF-EMPLOYED

Even if your income is less than \$750, you must file if your net earnings from self-employment are at least

	400	400
--	-----	-----

EARNINGS FROM TIPS

If you had uncollected or unreported social security tax on tips, you must file.

NON-RESIDENTS OR ALIENS

The above rules may not apply if you were not a citizen or a resident for all of 1977. (See page for further information.)

PLEASE NOTE

Even if you don't have to file a return, you may want to. If you had tax taken out of your pay or are entitled to the Earned Income Credit, you should file in order to get your money. You probably can use the SHORT FORM 1040A. (To find out for sure, see page .)"

The Institute also said that the major problem with designing simplified tax forms and instructions is that the law itself is so complex. They thought, therefore, that continued efforts to simplify the law would be the best means of simplifying the forms and instructions. Their detailed response is shown in appendix III.

DESIGN EXPERTS ALSO SHOWED HOW
THE 1040 FORM AND INSTRUCTIONS
CAN BE IMPROVED

Better design of the 1040 tax packages would also increase their understandability. Graphic design experts told us the 1040 form and instructions can be significantly improved, and stressed the importance of design in making them easier to use and understand.

IRS made some design changes to the 1977 1040 tax materials but not in a systematic attempt to produce the most usable tax packages possible. The form was changed so that it could be worked straight through from beginning to end without having to flip it back and forth in the process. The package cover was redesigned and the tax tables were changed to meet the requirements of a new law.

The graphic design experts we talked with said that IRS changes improved the form. But they also believed that the understandability of the tax packages could be significantly increased through other design improvements.

Based on samples of their work, we hired two experts to redesign the 1040 form and selected pages from the instructions. We gave them a free hand to use their professional skills and did not constrain them in terms of the cost to implement their ideas. They identified and solved a number of problems that centered around

- general appearance,
- organization of material, and
- type size and style.

Appearance of Form 1040
can be made more useful

The purpose of Form 1040 is to help the taxpayer compute and report the correct tax. However, the design of the form does not facilitate this task.

Our design experts identified several problems which give the form a cluttered look and make it hard to understand. For example, the lines of information are too close together and look too much alike. The different size boxes and the small dots scattered throughout make the form look crowded. The form sections are not clearly divided and the

black print on the light blue background is less legible than other combinations.

The experts solved these problems by redesigning the form. The information was better spaced and separated horizontally by solid lines. The different sized boxes and small dots were eliminated. Colored dividers were used to clearly separate the form sections and more legible combinations of print and background color were used.

The redesigns by Mr. Kner and Siegel and Gale are shown on the next pages. The current IRS Form 1040 is shown after page v of the digest to this report. All forms have been reduced slightly in size to fit the dimensions of this report. The actual size would be about 8 x 11 inches. The forms were redesigned to show graphic change. While the language on them generally reflects directions and other information on the current 1040, the writing was not reviewed to ensure complete technical accuracy.

Form 1040 U.S. INDIVIDUAL INCOME TAX RETURN 1977

Department of the Treasury—Internal Revenue Service For the year Jan 1—Dec 31, 1977, or other taxable year beginning . . . 77 ending . . .

Personal Information For Privacy Act Notice, see page 3 of Instructions.

1

Use IRS label. Otherwise, print or type

First name and initial (if joint return, give first names and initials of both) _____ Last name _____ Your social security number _____

Present home address (Number and street, including apartment number, or rural route) _____ Spouse's social security no. _____

City, town or post office, State and ZIP code _____ Your Occupation _____ Spouse's Occupation _____

Do you want \$1 to go to the Presidential Election Campaign fund? _____ Yes _____ No _____

If joint return, does your spouse want \$1 to go to this fund? _____ Yes _____ No _____

Note: Checking "Yes" will not increase your tax or reduce your refund.

Filing Status Check Only One line

2

1 Single _____ 1

2 Married filing joint return (even if only one had income) _____ 2

3 Married filing separately If spouse is also filing, give spouse's social security number in the space above and enter full name here _____ 3

4 Unmarried Head of Household Enter qualifying name _____ See page 7 of Instructions 4

5 Qualifying widow(er) with dependent child (Year spouse died 19...) _____ See page 7 of Instructions 5

Exemptions Always check "Yourself." Check others if they apply.

3

6a Yourself _____ 65 or over _____ Blind _____ Enter number of checks _____ 6a

6b Spouse _____ 65 or over _____ Blind _____ Enter number of checks _____ 6b

6c First names of your dependent children who lived with you _____

6d Other dependents: _____ Enter number of children listed _____ 6c

Name	Relationship	Number of months lived in your home.	Did dependent have income of \$750 or more?	Did you provide more than one-half of dependent's support?	Enter number of other dependents

7 Total number of exemptions claimed Add numbers entered above _____ 7

Income Attach Forms W-2. If unavailable, see page 5 of Instructions.

4

Please Attach Copy B of Forms W-2 Here

8 Wages, salaries, tips, and other employee compensation _____ 8

9 Interest income (If over \$400, attach Schedule B) _____ 9

10 Dividends (See pages 9 and 17 of Instructions) (If over \$400, attach Schedule B) _____ less exclusion _____ Balance _____ 10

11 State and local income tax refunds (does not apply if refund is for year you took standard deduction) _____ 11

12 Alimony received _____ 12

13 Business income or (loss) (attach Schedule C) _____ 13

14 Capital gain or (loss) (attach Schedule D) _____ 14

15 50% of capital gain distributions not reported on Schedule D _____ 15

16 Net gain or (loss) from Supplemental Schedule of Gains and Losses (attach Form 4797) _____ 16

17 Fully taxable pensions and annuities not reported on Schedule E _____ 17

18 Pensions, annuities, rents, royalties, partnerships, estates or trusts, etc. (attach Schedule E) _____ 18

19 Farm income or (loss) (attach Schedule F) _____ 19

20 Other (state nature and source—see page 9 of Instructions) _____ 20

21 Total income Add lines 8, 9, and 10 through 20 _____ 21

Adjustment to Income If none, skip lines 22 through 27 and enter zero on line 28.

5

Please Attach Check or Money Order Here

22 Moving expense (attach Form 3903) _____ 22

23 Employee business expenses (attach Form 2106) _____ 23

24 Payments to an individual retirement arrangement (from attached Form 5329) _____ 24

25 Payments to a Keogh (H.R. 10) retirement plan _____ 25

26 Forfeited interest penalty for premature withdrawal _____ 26

27 Alimony paid (see page 11 of Instructions) _____ 27

28 Total adjustments Add lines 22 through 27 _____ 28

29 Subtract line 28 from line 21 _____ 29

30 Disability income exclusion (sick pay) (attach Form 2440) _____ 30

31 Adjusted gross income Subtract line 30 from line 29. Enter here and on line 32. _____ 31

If you want IRS to figure your tax for you, see page 4 of the Instructions

Tax Computation

Form 1040 (1977) Page 2

6	32	Amount from line 31	_____	32
	33	If you itemize deductions, enter excess itemized deductions from Schedule A, line 41 _____ If you do NOT itemize deductions, enter zero _____	_____	33
		<i>Caution: If you have unearned income and can be claimed as a dependent on your parent's return, check here (and see page 11 of the Instructions). Also see page 11 of the Instructions if: • You are married filing a separate return and your spouse itemizes deductions, OR • You file Form 4563, OR • You are a dual-status alien.</i>		
	34	Tax Table Income. Subtract line 33 from 32	_____	34
	35	Tax. Check if from <input type="checkbox"/> Tax Tables or <input type="checkbox"/> Schedule TC. See Instructions for line 35 on page 11.	_____	35
	36	Additional taxes. (See page 12 of Instructions.) Check if from <input type="checkbox"/> Form 4970, <input type="checkbox"/> Form 4972, <input type="checkbox"/> Form 5544, <input type="checkbox"/> Form 5405, or <input type="checkbox"/> Section 72(m)(5) penalty tax _____	_____	36
	37	Total. Add lines 35 and 36	_____	37

Credits

7	38	Credit for contributions to candidates for public office	_____	38
	39	Credit for the elderly (attach Schedules R&RP)	_____	39
	40	Credit for child and dependent care expenses (attach Form 2441)	_____	40
	41	Investment credit (attach Form 3468)	_____	41
	42	Foreign tax credit (attach Form 1116)	_____	42
	43	Work Incentive (WIN) Credit (attach Form 4874)	_____	43
	44	New jobs credit (attach Form 5884)	_____	44
	45	See page 12 of Instructions	_____	45
	46	Total credits. Add lines 38 through 45	_____	46
	47	Balance. Subtract line 46 from line 37 and enter difference (but no less than zero)	_____	47

Other Taxes

8	48	Self-employment tax (attach Schedule SE)	_____	48
	49	Minimum tax. Check here _____ attach Form 4625	_____	49
	50	Tax from recomputing prior-year investment credit (attach Form 4255)	_____	50
	51	Social security tax on tip income not reported to employer (attach Form 4137)	_____	51
	52	Uncollected employee social security tax on tips (from Form W-2)	_____	52
	53	Tax on an individual retirement arrangement (attach Form 5329)	_____	53
	54	Total tax. Add lines 47 through 53	_____	54

Payments

9	55	Total Federal income tax withheld (attach Forms W-2, W-2G, and W-2P to front)	_____	55
	56	1977 estimated tax payments (include amount allowed as credit from 1976 return)	_____	56
	57	Earned income credit. If line 31 is under \$8,000, see page 2 of Instructions. If eligible, enter child's name _____	_____	57
	58	Amount paid with Form 4868	_____	58
	59	Excess FICA and RRTA tax withheld (two or more employers)	_____	59
	60	Credit for Federal tax on special fuels, etc. (attach Form 4136)	_____	60
	61	Credit from a Regulated Investment Company (attach Form 2439)	_____	61
	61a	See page 13 of Instructions	_____	61a

Refund or Due

10	62	Total. Add lines 55 through 61a	_____	62
	63	If line 62 is larger than line 54, enter amount OVERPAID	_____	63
	64	Amount of line 63 to be REFUNDED TO YOU	_____	64
	65	Amount of line 63 to be credited on 1978 estimated tax	_____	65
	66	If line 54 is larger than line 62, enter BALANCE DUE. Attach check or money order for full amount payable to "Internal Revenue Service." Write social security number on check or money order. (Check <input type="checkbox"/> if Form 2210 (2210F) is attached. See page 14 of Instructions.)	_____	66

Please Sign Here

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

Your signature _____ Date _____ Spouse's signature (if filing jointly, BOTH must sign even if only one had income)

Paid preparer's signature and identifying number (see instructions)

Paid preparer's address (or employer's name, address, and identifying number)

Personal Information

1 Print your first name and middle initial... 2 Your home address... 3 Your social security number... 4 This form covers the year... 5 Do you want \$1 to go to this fund?

Filing Status

6 Single 7 Married filing joint return... 8 Married filing separately... 9 Unmarried Head of Household... 10 Qualifying widow(er) with dependent child...

Exemptions Claimed

11 Yourself 65 or over Blind 12 Spouse 65 or over Blind 13 First names of your dependent children... 14 Names of other dependents... 15 Total number of exemptions claimed...

Income

16 Wages, salaries, tips, and other employee compensation \$ 17 Interest income... \$ 18a Dividends... \$ 18b Exclusion \$ 18c Balance... \$ 19 State and local income tax refunds... \$ 20 Alimony received \$ 21 Business income... \$ 22 Capital gain... \$ 23 50% of capital gain... \$ 24 Net gain... \$ 25 Fully taxable pensions... \$ 26 Pensions, annuities... \$ 27 Farm income... \$ 28 Nature and source of other income... \$ 29 Total income... \$

Adjusting Income

30 Moving expense... \$ 31 Employee business expenses... \$ 32 Payments to an individual retirement arrangement... \$ 33 Payments to a Keogh... \$ 34 Forfeited interest penalty... \$ 35 Alimony paid \$ 36 Total adjustments... -\$

Adjusted Gross Income

37 Subtract line 36 from line 29 \$ 38 Disability income exclusion... -\$ 39 Adjusted gross income... \$

Be sure to double check your math in this section.

Computing Tax

Be sure to refer to the correct tax table or schedule when figuring your tax.

40	Adjusted Gross Income amount from line 39	\$	
41	If you itemize deductions, enter excess itemized deductions from Schedule A, line 41. If you do not itemize deductions, enter zero	-\$	
42	Tax Table Income. Subtract line 41 from line 40		\$
43	Check if from <input type="radio"/> Tax Table or <input type="radio"/> Schedule TC		
44	<input type="radio"/> Check here if you have unearned income and can be claimed as a dependent on your parents return		
45	Tax		\$
46	Additional taxes. Check if from <input type="radio"/> Form 4970 <input type="radio"/> Form 4972 <input type="radio"/> Form 5544 <input type="radio"/> Form 5404 <input type="radio"/> Section 72(m) (5) penalty tax		\$
47	Total. Add lines 45 and 46		\$

Credits

If you have no credits write zero on line 56 and skip to line 57.

48	Credit for contributions to candidates for public office	\$	
49	Credit for the elderly (attach Schedules R & RP)	\$	
50	Credit for child and dependent care expenses (attach Form 2441)	\$	
51	Investment credit (attach Form 3468)	\$	
52	Foreign tax credit (attach Form 1116)	\$	
53	Work Incentive (WIN) Credit (attach Form 4874)	\$	
54	New jobs credit (attach Form 5884)	\$	
55	Energy credit	\$	
56	Total credits. Add lines 48 through 55		-\$
57	Balance. Subtract line 56 from line 47 and enter difference (but not less than zero)		\$

Other Taxes

If you have no other taxes write zero on line 64 and skip to line 65.

58	Self-employment tax (attach Schedule SE)	\$	
59	Minimum Tax. Check here <input type="radio"/> and attach Form 4625	\$	
60	Tax from recomputing prior-year investment credit (attach Form 4255)	\$	
61	Social security tax on tip income not reported to employer (attach Form 4137)	\$	
62	Uncollected employee social security tax on tips (Form W-2)	\$	
63	Tax on an individual retirement arrangement (attach Form 5329)	\$	
64	Total tax. Add lines 57 through 63		\$

Payments

If you made no payments write zero on line 73 and skip to line 74.

65	Total Federal income tax withheld (attach Forms W-2, W-2G, and W-2P)	\$	
66	1977 estimated tax payments (include amount allowed as credit from 1976 return)	\$	
67	Earned income credit. If eligible, enter child's name ▶	\$	
68	Amount paid with Form 4868	\$	
69	Excess FICA and RRTA tax withheld (two or more employers)	\$	
70	Credit for Federal tax on special fuels, etc. (attach Form 4136)	\$	
71	Credit from a Regulated Investment Company (attach Form 2439)	\$	
72	Energy Credit	\$	
73	Total Payments. Add lines 65 through 72		\$

Refund or Amount Owed

Be sure to double check your math in this section.

74	If line 73 is larger than line 64, enter amount you overpaid		\$
75	Amount from line 74 to be credited on your 1979 estimated tax		-\$
76	Amount from line 74 to be refunded to you. Subtract line 75 from line 74		\$
77	<input type="radio"/> Check here if Form 2210 (2210F) is attached		
78	If line 64 is larger than line 73, enter amount you owe. Attach check or money order for the full amount to the front of this form. Make it payable to "Internal Revenue Service" and include your social security number.		\$

Please Sign Here

Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief it is true, correct and complete.

Declaration of preparer (other than taxpayer) is based on all information of which preparer has any knowledge.

Your signature

Date

Spouse's signature (if filing jointly, both must sign even if only one had income)

Date

Paid preparer's signature

Identifying number

Paid preparer's firm name and address

Identifying number

Personal Information

Privacy Act Notice. This is dummy type. It shows the style and weight of text type used in this instruction booklet. The name of this typeface is Helvetica Light. It is a contemporary typeface of Swiss origin. Helvetica's clean design makes it easy to read. This is dummy type. It shows the style and weight of text type used in this instruction booklet. The name of this typeface is Helvetica Light. It is a contemporary typeface of Swiss origin. Helvetica's clean design makes it easy to read. This is dummy type.

1 Your name. This is dummy type. It shows the style and weight of text type used in this instruction booklet. The name of this typeface is Helvetica Light. It is a contemporary typeface of Swiss origin. Helvetica's clean design makes it easy to read.

shows the style and weight of text type used in this instruction booklet. The name of this typeface is Helvetica Light. It is a contemporary typeface of Swiss origin. Helvetica's clean design makes it easy to read. This is dummy type.

2 Your home address. This is dummy type. It shows the style and weight of text type used in this instruction booklet. The name of this typeface is Helvetica Light. It is a contemporary typeface of Swiss origin. Helvetica's clean design makes it easy to read. This is dummy type. It shows the style and weight of text type used in this instruction booklet. The name of this typeface is Helvetica Light.

3 Your social security number and occupation. This is dummy type. It shows the style and weight of text type used in this instruction booklet. The name of this typeface is Helvetica Light. It is a contemporary typeface of Swiss origin.

4 Taxable year. This is dummy type. It shows the style and weight of text type used in this instruction booklet. The name of this typeface is Helvetica Light. It is a contemporary typeface of Swiss origin. Helvetica's clean design makes it easy to read. This is dummy type. It shows the style and weight of text type used in this instruction booklet. The name of this typeface is Helvetica Light.

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5 Presidential Election Campaign Fund. This is dummy type. It shows the style and weight of text type used in this instruction booklet. The name of this typeface is Helvetica Light. It is a contemporary typeface of Swiss origin.

This is dummy type. It shows the style and weight of text type used in this instruction booklet. The name of the typeface is Helvetica Light. It is a contemporary typeface of Swiss origin.

THIS ILLUSTRATES HOW THE INSTRUCTIONS SHOULD BE ORGANIZED. IT USES DUMMY TYPE. THE SPACE REQUIREMENTS WOULD OBVIOUSLY BE MORE THAN IS SHOWN HERE.

Filing Status

6 Single. This is dummy type. It shows the style and weight of text type used in this instruction booklet. The name of this typeface is Helvetica Light. It is a contemporary typeface of Swiss origin. Helvetica's clean design makes it easy to read. This is dummy type.

7 Married filing joint return. This is dummy type. It shows the style and weight of text type used in this instruction booklet.

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shows the style and weight of text type used in this instruction booklet. The name of this typeface is Helvetica Light. It is a contemporary typeface of Swiss origin.

8 Married filing separately. This is dummy type. It shows the style and weight of text type used in this instruction booklet. The name of this typeface is Helvetica Light. It is a contemporary typeface of Swiss origin.

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weight of text type used in this instruction booklet. The name of this typeface is Helvetica Light. It is a contemporary typeface of Swiss origin. Helvetica's clean design makes it easy to read. This is

9 Unmarried head of household. This is dummy type. It shows the style and weight of text type used in this instruction booklet.

and weight of text type used in this instruction booklet. The name of this typeface is Helvetica Light. It is a contemporary typeface of Swiss origin. Helvetica's clean design makes it easy to read. This is dummy type. It shows the style and weight of text type used in this instruction booklet. The name of this typeface is Helvetica Light. weight of text type used in this instruction booklet.

10 Qualifying widow(er). This is dummy type. It shows the style and weight of text type used in this instruction booklet. The name of this typeface is Helvetica Light. It is a contemporary typeface of Swiss origin. Helvetica's clean design makes it easy to read. This is dummy type. It shows the style and weight of text type used in this instruction booklet.

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Instructions are crowded
and need reorganization

The experts found three major design problems in the IRS instruction package for completing Form 1040: insufficient margins and spacing, too much unnecessary information, and illogical organization. Their solutions make the instructions appear less forbidding and lead the taxpayer through his task in a logical sequence.

Insufficient margins and spacing

The experts said that the instructions have too much information on each page. The margins and column dividers are too narrow, and there is not enough spacing between paragraphs and sections.

The instructions are printed on approximately 8- x 11-inch pages. But the margins are only one-half inch on each side, the top, and the bottom. These margins border three columns of type having less than one-quarter inch of blank space between them. The columns of type have straight margins on each side--a format typographers call "justified." These characteristics crowd the pages making the presented information unappealing to the eye and difficult to read.

The "justified" type format causes another problem. Spacing between letters and words must be altered to get the right margin perfectly even. Large gaps result causing "rivers of white space" that distract the reader. These "rivers" are illustrated by the shading in the example below.

Schedule C-3—Expense Account Information.—Expense account allowance means (a) amounts other than compensation, received as advances or reimbursements, and (b) amounts paid by or for you for expenses incurred by or for yourself or your employees, including all amounts charged through any type of credit card, for which a deduction is claimed in this schedule. This term does not include amounts paid for (a) the purchase of goods for resale or use in your business, and (b) incidental expenses, such as the purchase of office supplies or for local transportation in connection with an errand. You should keep records as proof of amounts spent for entertainment.

Our designers made the instructions appear less formidable by using wider margins and more spacing. Mr. Knei kept the three-column format but increased the spacing between the sections and between the subsections. He also used an uneven right margin for each column while keeping an even left margin. This "flush left, ragged right" style makes the columns appear less crowded and avoids "rivers of white space." Siegel and Gale also used ragged right columns. However, they changed from three columns to two wider columns to accommodate their larger type. They also used a wide left margin. These changes make the information easier to read.

The Federal Tax Division of the American Institute of Certified Public Accountants, in commenting on the rewrites by our experts, said that the major graphics problem with the present format of the instructions appears to be the use of three columns of print on each page. They endorsed the need to eliminate the three-column format.

Instructions contain too much unnecessary information

The 1040 package should be designed to serve the majority of taxpayers and to do so in a straightforward manner. The package, however, includes unnecessary words and instructions needed by relatively few people. This excess material forces the taxpayer to read instructions which he does not need and which may be confusing to him. It also lengthens the package, thereby increasing the printing and mailing costs.

The NIE experts pointed out the problem of unnecessary information in the "General Instructions" for Form 1040. This section, which explains who must file and when, includes detailed filing instructions for noncitizens who have a "dual-status tax year" and for the survivors of taxpayers who died during the year. While these instructions are important, they affect the tax returns of relatively few people. The NIE experts suggested that such information be handled separately, either by placing it in special sections within the package or in separate pamphlets. The package would include reference to the detailed information so that taxpayers could readily find it if needed.

The Federal Tax Division of the American Institute of Certified Public Accountants agreed with this approach and the need for it. The Institute also believed that

the approach should be considered in the technical areas of the instructions as well.

The NIE experts also found some unneeded sentences and passages in the instructions. They suggested that elimination of such sentences and passages would make the material less difficult to understand.

Using their suggestion, we rewrote the Schedule RP instructions as follows.

FROM

"Credit for the Elderly--

Individual(s) Under 65 Having Gross Income from a Public Retirement System as a Result of His (Her) Services or Services of His(Her) Deceased Spouse

If you are under 65 and have gross income from a public retirement system resulting from your services or services of your deceased spouse, you may be able to take a credit against your tax.

To determine your credit, you must use Schedule RP. However, if you are married filing jointly and your spouse is 65 or older, unless both of you have elected to figure the credit under Schedule RP, you must determine the credit by using Schedule R (Form 1040) -- Credit for the Elderly--Individual(s) 65 or Over Having Any Type of Income

Special Rules--

(1) Married couples must file joint returns to be eligible for the credit. No credit is allowed to a married couple who lived together at any time during the taxable year unless they file a joint return. However, a married couple who did not live together at any time during the taxable year does not have to file a joint return to be eligible for the credit.

(2) The credit is available regardless of work experience in earlier years.

(3) No credit is allowed to a nonresident alien unless the nonresident alien and his or her spouse who is a citizen or resident of the United States elect to be taxed on their worldwide income and file a joint return."

TO

"Credit for the Elderly--Under Age 65

If you are receiving income from your own or your deceased spouse's public retirement system, use Schedule RP to figure the amount of your tax credit.

If you are married, you must file a joint return to get the credit--the only exception is if you lived apart from your spouse for the entire year. Nonresident aliens can get the credit only if their spouse is a resident or citizen of the United States.

If you are filing jointly and your spouse is over 65, you must both elect to file Schedule RP--otherwise, use Schedule R."

The American Bar Association representatives thought that the rewrite was an improvement.

The 1040 instructions can be organized better

The purpose of the instructions is to help the taxpayer determine whether he is required to file a Form 1040 and, if so, to guide him logically through that task. But the organization of the instructions is at odds with their purpose. They neither begin with, nor flow logically from, the information the taxpayer needs first.

For example, the first page inside the cover of the instructions shows the Earned Income Credit Worksheet. Thus, before the taxpayer is given any information as to whether he should file a return, whether Form 1040 may be the proper return for him to file, or any other general information, he is given a worksheet to use in calculating an entry for line 57 on the Form 1040.

The instructions do not address the 1040 form on a line-by-line basis. Instead, explanations are scattered, and sometimes duplicated, throughout the instructions; placed on the form but not in the instructions; duplicated in both; or left out altogether. For example, explanations about the Presidential Election Campaign Fund are duplicated in the instruction sections "Guides for Preparing a Return" and "Instructions for Page 1 of Form 1040." Line 16 on

the Form 1040 is explained neither on the form nor in the instructions. The explanations for completing lines 33 and 34 are partially on the form itself and partially in the instructions.

Tax Computation	<p>33 If you itemize deductions, enter excess itemized deductions from Schedule A, line 41 If you do NOT itemize deductions, enter zero. Caution: If you have unearned income and can be claimed as a dependent on your parent's return, check here <input type="checkbox"/> and see page 11 of the Instructions. Also see page 11 of the Instructions if: ● You are married filing a separate return and your spouse itemizes deductions, OR ● You file Form 4563, OR ● You are a dual-status alien.</p>	33
	<p>34 Tax Table Income. Subtract line 33 from line 32 Note: See Instructions for line 35 on page 11. Then find your tax on the amount on line 34 in the Tax Tables. Enter the tax on line 35. However, if line 34 is more than \$20,000 (\$40,000 if you checked box 2 or 5) or you have more exemptions than those covered in the Tax Tables for your filing status, use Part I of Schedule TC (Form 1040) to figure your tax. You must also use Schedule TC if you file Schedule G (Form 1040), Income Averaging.</p>	34

In another instance, the instructions direct the taxpayer to see the optional State sales tax tables for the amount to deduct but give no page number to help the taxpayer find them. The taxpayer must search through the package and even then can easily overlook them. In three of the four 1040 packages, the tables are printed on the backs of schedules used for other computations. And in one of these, half of the tables are in the front while the rest are in the back of the package. In the fourth package, they are located after the tax rate schedules which most taxpayers do not use.

For these and other reasons, our design experts stressed the need to reorganize the instructions to get a better flow and a clearer division of the sections. Their reorganizations tie the instructions more closely to the form. They sequentially address each section of the form and each line within that section.

Mr. Kner did this by using large numbers on the form to key its sections to the same large numbers in the instructions. He used smaller numbers to key the lines within the sections. He also increased the spacing between the sections.

Siegel and Gale took a different approach. They used descriptive titles in color to key the sections of the form to the instructions. To key the lines within the sections, they numbered all lines on the form and repeated each number as well as the subject of the line in bold-faced print in the margins of the instructions. To sep-

arate the sections, they used heavy, colored horizontal lines together with greater spacing. (The approaches used by the two designers to better connect the form and the instructions are shown between pages 24 and 25.)

The designers also reorganized the material in the instruction package to get a more useful flow. Their reorganizations are compared, in part, to the current organization of the instructions in the table below.

Organizations of 1040 Packages
by General Subject Matter

<u>IRS</u>	<u>Kner</u>	<u>Siegel and Gale</u>
Cover	Cover	Cover
Earned Income Credit	Highlights for 1977	General Instructions Including Highlights
Form 1040	General Instructions	Form 1040
Schedules	Guide for Preparing a Return	Form 1040 Instructions
Highlights for 1977	One Page of Form 1040 Instructions	Schedules
General Instructions	Form 1040	Instructions for Schedules
Guide for Preparing a Return	Remainder of Form 1040 Instructions	Tax Tables
Instructions for Page 1 of Form 1040		Index
Instructions for Page 2 of Form 1040		

Either of the instruction reorganizations would make the material easier to use. Both redesigns use a more sequential approach. Thus, a taxpayer could complete his 1040 return step-by-step without having to search through the instructions. Those taxpayers that may only need instructions for certain lines of the form could find them more easily.

Designers would use different paper--The 1040 package is printed like a pamphlet--that is, the sheets of paper are folded like a "V". Two different kinds of paper are used in this process. A durable white paper is used for the outermost sheets on which the package cover, the tax forms, and the schedules are printed. A less durable newsprint paper is used for the inner sheets on which most of the instructions for completing the forms and schedules are printed.

The reorganizations of the 1040 package proposed by our experts would require a change in paper. Each designer moved the 1040 form closer to the middle of the package. Because people must write on and frequently handle the forms and schedules, they must be printed on durable paper. Recognizing this and considering how the package is assembled, each designer suggested that the newsprint paper be eliminated and a durable paper be used for the entire package. The paper Mr. Kner selected was the white paper IRS uses for part of the package. Siegel and Gale preferred a durable recycled paper in a putty color to avoid the harshness to the eye of black print on white paper. They did this to achieve the same effect as produced by the blue-inked background of IRS Form 1040.

Different type can
improve the 1040 form
and instructions

Choice and arrangement of type is an obvious key to the legibility of printed material. Research has shown that type features can also affect reader comprehension. A different choice and arrangement of type can clarify the 1040 form and instructions.

Type styles are grouped by family, each family having several different printing surfaces called faces. IRS uses only the News Gothic family in printing the 1040 form and instructions. This family has three faces: bold, roman, and italic (see below). IRS uses the italic face for special information or instructions. However, the italic and roman faces are so similar that the reader may not detect the intended emphasis.

Examples of
News Gothic Type Faces

Bold: **Earned income credit.**

Roman: **Amount from line 7**

Italic: *space provided on line 57*

Type height 1/, width 2/, and face is commonly used to differentiate emphasis, directions, or general information. This is a successful technique if used reasonably. But IRS uses at least 14 type variations on the 1040 form. This number of changes confuses the reader because he is unable to associate the type size with an intended purpose. The use of so many different sizes can also tire the reader because his eyes must adjust for each change.

Our designers solved these problems by changing to other type families and limiting the number of heights and widths. Mr. Kner used large type for section headings and a smaller type for the lines of the form. For each line he used a "light" face type from one family (Trade Gothic) to describe the information sought, and an italic face from another family (Century Old Style), to convey any additional information. As shown below, these faces are clearly different.

- 48 Self-employment tax (*attach Schedule SE*) _____
- 49 Minimum tax. Check here _____ *attach Form 4625* _____
- 50 Tax from recomputing prior-year investment credit (*attach Form 4255*) _____
- 51 Social security tax on tip income not reported to employer (*attach Form 4137*) _____
- 52 Uncollected employee social security tax on tips (*from Form W-2*) _____
- 53 Tax on an individual retirement arrangement (*attach Form 5329*) _____
- 54 Total tax. *Add lines 47 through 53.* _____

1/Each family of type can include many heights. Height is measured in "points;" each point being about 1/71 inch. This report is in 12-point type. The type on the 1040 form ranges between 6 and 24 points.

2/The width of a "face" can be condensed--that is, made narrower than normal. A condensed face enables the typesetter to get more information on a line without using a smaller type. IRS mixes normal and condensed faces on the 1040 form.

Siegel and Gale chose a different approach. They used only one family--Helvetica. Within this family, they used a condensed face type in two sizes for the lines on the form and a larger bold condensed face to identify and separate the form sections. They also used a bold condensed face for the line numbers and to highlight words within the line, if needed. For example,

74 If line 73 is larger than line 64, enter amount you **overpaid**

75 Amount from line 74 to be credited on your 1979 estimated tax

76 Amount from line 74 to be **refunded** to you. Subtract line 75 from line 74

Larger type would help the elderly

The NIE experts believe that most people can read the 8-point type of the 1040 instructions without too much difficulty. They also believed, however, that people with eyesight measured at 20/50 or worse would have difficulty reading 8-point type. Many elderly taxpayers fit this description. It is generally accepted that there is some degree of vision loss as the eyes age. Statistics developed by the Department of Health, Education, and Welfare show that twice as many people aged 50 have defective vision as those aged 20. This considered the corrective lenses worn by both groups. The American Optometric Association, from the limited data available on the ability to read at close range, estimates that about 15 percent of the elderly aged 65 to 79 would have difficulty reading 8-point type.

IRS has recognized, to a degree, the elderly's need for larger type. It has produced since 1975 a publication called "Tax Benefits for Older Americans." This is printed in 10-point type and summarizes those tax provisions which particularly benefit taxpayers aged 65 or older. It does not, however, include the detailed instructions for completing Form 1040.

The text of the 1040 instructions could be enlarged for the elderly by placing it on 11- x 14-inch paper. This would increase the 8-point type to almost 12 points. The larger type could be read easily by about 75 percent of the elderly who have difficulty with 8-point type. IRS could with this change design a package which contains forms especially needed by elderly taxpayers.

Based on IRS statistics, we estimate that more than 5.5 million taxpayers aged 65 or older filed Form 1040 returns

in 1977. Given this number and the probability that many of them have poor vision, we believe that IRS should consider the feasibility of preparing special tax packages for the elderly.

A MIX OF WRITING AND DESIGN SKILLS IS NEEDED

The need to use a mix of skills in improving the tax packages was pointed out by the experts who assisted us. NIE, for example, found that reading difficulties in the instructions are caused in part by the unclear organization. NIE concluded that, while it lowered the reading levels of the instructions through rewriting, much more could be done using the full range of facilities available in a graphic design studio. The graphic designers who helped us suggested, in part, that readability could be improved through changes in type, better connections between the form lines and the corresponding instructions, and use of more color in the instructions.

Siegel and Gale does both writing and design. Recognizing that they are not tax experts, we asked them to rewrite and redesign the Earned Income Credit Worksheet. This worksheet is used by low income taxpayers to compute a credit which may be applied against their taxes or refunded to them.

The IRS worksheet and the revised one are shown on the next 2 pages. In reviewing a draft of this report, IRS checked the revised worksheet for technical accuracy. IRS found that, in question 7 under "The Qualifying Questions," the disabled child who is not under 19 or not a full-time student must also be a dependent to qualify. IRS also believed that, under "What Is Earned Income?," the statement that "anything else of value you get from your employer" may be too broad.

Earned Income Credit

Line 57.—You may be entitled to a special payment or credit of up to \$400 that may come as a refund check or be applied against any taxes you owe if you reported earned income and can answer "Yes" to questions A, B, and C below.

For this purpose, earned income means wages and salaries (after the disability income exclusion, if applicable), tips, other employee compensation, and your net earnings from self-employment (generally amount shown on Schedule SE (Form 1047), line 13). Earned income does not include social security benefits, welfare benefits, etc.

	Yes	No
A Is your adjusted gross income, Form 1040, line 31, less than \$8,000?		
B Is your earned income less than \$8,000?		
C Did you pay more than half the cost of keeping up a home in the U.S. in which you lived and which for the entire year (except for temporary absences for vacation, school, etc.) was also the home of (1) your child who was under 19 years of age or a full-time student, OR (2) your dependent child who is disabled (see pages 7 and 8)?		

If you answered "Yes" to ALL the questions above, you can qualify for the credit if YOU DO NOT:

- Check Box 3 on Form 1040, Married Filing Separately, or
- File Form 2555, Exemption of Income Earned Abroad, or
- File Form 4563, Exclusion of Income from Sources in U.S. Possessions.

If you qualify, use the Earned Income Credit Worksheet below to figure your credit.

Earned Income Credit Worksheet (Do Not File This Worksheet—Keep it for Your Records)

1 Amount of wages, salaries, tips, etc. from Form 1040, line 8. Be sure to attach Copy B of Form(s) W-2 to your return		1	
<i>Caution: If you make an election not to claim the disability income exclusion and at the end of the taxable year you were under age 65, include on line 1 that portion of your disability income (attributable to periods prior to your reaching minimum retirement age) that you included on Schedule E (Form 1040), line 5, or Form 1040, line 17.</i>			
2 Disability income exclusion (sick pay) from Form 1040, line 30		2	
3 Subtract line 2 from line 1		3	
4 Net earnings from self-employment from Schedule SE (Form 1040), line 13. (Reduce for any amount also included in line 1 above and for any amounts that are not included in income, such as the rental value of parsonage or rental allowance furnished a minister.)		4	
5 Earned income. (Add lines 3 and 4. However, if line 4 is a loss, subtract line 4 from line 3—if this is zero, enter zero and do not complete the rest of this worksheet because you do not have an earned income credit.)		5	
6 Adjusted gross income from Form 1040, line 31		6	
7 Amount from line 5 or line 6, whichever is larger		7	
8 Enter 10% of line 5 but do not enter more than \$400 <i>If line 7 is \$4,000 or less, do not complete the rest of this worksheet but enter the amount from line 8 on Form 1040, line 57. Also write the first name of your child who qualifies you for the credit in the space provided on line 57 (see the Note below).</i>		8	
9 Amount from line 7	9		
10 Less	10	\$4,000.00	
11 Subtract line 10 from line 9	11		
12 Enter 10% of line 11		12	
13 Earned income credit. (Subtract line 12 from line 8.) Enter here and on Form 1040, line 57. Also write the first name of your child who qualifies you for the credit in the space provided on line 57 (see the Note below).		13	

Note: If you have more than one child who qualifies you for the credit, you need only enter the first name of one of the children.

earned income credit

If you had **earned income** of UNDER \$8,000 and can answer YES to seven qualifying questions, you may be able to take an **earned income credit**. This can go as high as \$400. You may subtract the credit from any taxes you owe. If your taxes are less than your credit, or if you owe no taxes, you will get a refund.

Even if your earned income is under \$8,000 and you can answer YES to the qualifying questions, you will **not** be able to take the credit if:

- you are a married person who files a separate return from your husband or wife and have checked box 3 on Form 1040, or
- you have earned income overseas and file Form 2555 to exempt that income, or
- you have earned income from sources in U.S. Possession and file Form 4563 to exempt that income.

What is Earned Income? Earned income includes:

- wages and salaries after any permissible disability income exclusion has been taken.
- tips
- anything else of value (money, goods or services) you get from your employer.
- net earnings from self-employment — see line 13 of Schedule SE to Form 1040.

Earned income does **not** include social security or welfare benefits or any money from similar sources.

The Qualifying Questions. You can take the income credit if you can answer YES to **all** of these questions unless you are prevented from taking it for one of the three reasons mentioned above.

- | | Yes | No |
|--|--------------------------|--------------------------|
| 1. Did you have earned income in 1978? | <input type="checkbox"/> | <input type="checkbox"/> |
| 2. Was your earned income less than \$8,000? | <input type="checkbox"/> | <input type="checkbox"/> |
| 3. Was the adjusted gross income you listed on line 31 of Form 1040 less than \$8,000? | <input type="checkbox"/> | <input type="checkbox"/> |
| 4. During 1978 did you pay MORE than 50% of the cost of keeping up a home in the United States? | <input type="checkbox"/> | <input type="checkbox"/> |
| 5. Did you live in this home? | <input type="checkbox"/> | <input type="checkbox"/> |
| 6. Did any of your children live there with you full time except when away at school or on vacation? | <input type="checkbox"/> | <input type="checkbox"/> |
| 7. Do ANY of the following describe the child (or if you have more than one child, any of them) | <input type="checkbox"/> | <input type="checkbox"/> |

- under 19
- full time student
- disabled

If you answered yes to all of the questions, use the earned income credit worksheet below to figure your credit.

earned income credit worksheet

Because much of the information you need for this worksheet comes from the first page on Form 1040, it is a good idea to complete that page before figuring your earned income credit.

How to Figure Your Credit. To figure how much earned income credit you can take, follow instructions on each of the lines below.

1	Enter the total wages, salaries and tips you reported on Form 1040 (line 8). Also, if you were under 65 at the end of 1978, and did not take the disability income exclusion, be sure to include disability income you listed on either line 5, Schedule SE of Form 1040 or on line 17 of Form 1040.	\$	
2	Enter the disability income exclusion you did claim on Form 1040 (line 30)	\$	
3	Subtract line 2 from line 1	\$	
4	Enter the net self-employment earnings you reported on line 13 of Schedule SE of Form 1040. Be sure to subtract any self-employment income you reported on line "1" above. (If you were a religious minister you should also subtract the rented value of your parsonage or any rental allowance you received)	\$	
5	Add lines 3 and 4. However, if you lost money by being self employed, subtract the amount you entered on line "4" from the amount you entered on line "3." If you come out with \$0, enter \$0 and do not complete the rest of this worksheet — you have no earned income credit. Enter either \$0 or the result of adding lines 3 and 4 here.	\$	
6	Enter the adjusted gross income you reported on Form 1040 (line 31)	\$	
7	Enter the larger of lines 5 or 6	\$	
8	Enter 10% of the amount you listed on line 5. However, do not enter more than \$400 even if 10% of line 5 is more than that.	\$	

Stop Here — Look at the amount you listed on line 7. If it is **less** than \$4,000 do **not** complete the rest of this worksheet — but **do** enter the figure from line 8 on line 57 of your Form 1040. Also include the

name of the child who qualified you for the credit — if more than one did, list only one.

If the amount on line 7 is more than \$4,000, go on to line 9.

9	Enter the amount listed on line 7 if over \$4,000	\$	
10	Subtract \$4,000	-\$ 4,000.00	
11	Result of subtracting line 10 from line 9	\$	
12	Enter 10% of line 11	\$	
13	Subtract line 12 from line 8 — this is your Earned Income Credit	\$	

Enter the amount on line 13 on line 57 of your Form 1040 and include the name of the child who qualified you for the credit — if more than one did, list only one.

Do not file this worksheet with your return — keep it for your records.

WHAT IT MIGHT COST TO REVISE
THE TAX PACKAGES

IRS spent about \$12.5 million to print and distribute 85.1 million 1040 and 1040A packages for 1977--an average cost of 15 cents per package. Of the total, \$7.1 million was for printing and \$5.4 million was for mailing. Together, these costs ranged from 13 cents per 1040A package to 25 cents per package for the longest 1040 package.

Revising the tax packages will probably increase printing and mailing costs. The revised packages will probably contain more color and pages. Adding to the increase in costs for printing and mailing will be costs for rewriting, redesigning, and testing. The total increase in cost cannot be precisely determined until a detailed improvement plan is developed, but some general estimates are possible.

Rewriting and redesigning are the first steps necessary to improve the tax packages. We asked one of our experts to estimate what this might cost. He estimated that it would cost about \$500,000 to rewrite and redesign the 1040A package and one of the 1040 packages using private firms. This price would cover all materials in the packages, such as tables and schedules. Since all 1040 packages contain much of the same information, most of what is done to one can be used in the others. We, therefore, used the \$500,000 figure as an estimate for rewriting and redesigning, recognizing that some additional costs would be required for the other three 1040 packages.

Field testing of proposed changes is the best way to measure if and how much the understandability of the material is improved. We obtained estimated costs for testing from a firm that specializes in such work. The firm believed that the packages could be tested by having a nationwide representative sample of people fill out a tax return based on a given set of facts. Half of the sample would use the "old" tax form and instructions while the other half would use the revised ones. The members of each group would then be interviewed, and the test results for the two groups would be analyzed and compared. The firm estimated that this would cost between \$130,000 and \$175,000 for each package tested. We used the largest of these figures and assumed that two tests would be made--one for the 1040 package and one for the 1040A. The total estimated cost for testing would therefore be about \$350,000.

We asked IRS and Government Printing Office officials to estimate for us the increased printing and mailing costs that would result from the design suggestions made by our experts. Specifically, we asked IRS about the costs for using all white paper, a two-color process throughout, and a 10-percent increase in the length of the packages. We asked the Government Printing Office about the cost of putty-colored paper. The estimates are incorporated in the following table along with the estimates we obtained for re-writing, redesigning, and testing.

Estimated Costs for Revising
the Tax Packages

One-time costs

Rewrite and redesign	\$ 500,000
Field testing of revised material	350,000

Recurring costs (all 5 packages)

Printing (note a):

Paper (note b):

White writing paper (Mr. Kner)	\$1,100,000	
Putty-colored writing paper (Siegel & Gale)	1,490,000	\$1,490,000

Use of two color process		50,000
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10-percent increase in package lengths	<u>1,150,000</u>	2,690,000
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Mailing (note c):

Heavier packages of either white or putty-colored paper		440,000
10-percent increase in package length	<u>210,000</u>	<u>650,000</u>

Total estimated costs		<u>\$4,190,000</u>
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a/Only 16 printers bid for the 1977 tax packages out of the more than 300 firms invited to bid. Therefore, the printing cost for some redesign suggestions may depend on the capability and willingness of printers to do them.

b/We used the larger of the two paper cost proposals for our estimates.

c/Incorporates the postage rate increase of May 1978.

The total estimated cost increase of \$4.2 million represents about 0.2 percent of IRS' proposed budget for fiscal year 1979. Spread over 85 million packages, the \$4.2 million increase comes to about 5 cents per package.

Obviously, the estimates are not precise. Our point in presenting them is not to set targets or constraints but to show that the relative cost that would be incurred to improve the understandability of the tax packages is not beyond reason.

We believe that making the tax packages more understandable would be well worth the expense. The increased costs should be significantly reduced by the benefits that would accrue to both taxpayers and IRS. More taxpayers should be able to do their own returns and do them more correctly and in less time. IRS should benefit from a reduction in taxpayer inquiries and decreased taxpayer error rates.

Cost of printing a special tax package for the elderly

Tax packages printed in larger type would help elderly taxpayers who have poor vision. One of the current tax packages contains most of the forms, schedules, and instructions needed by the elderly but it is printed in 8-point type. IRS estimated that it would cost about \$2.8 million to print this package in 12-point type and mail it to the 8 million taxpayers aged 65 or older.

An offset against the \$2.8 million would be the cost of producing and mailing 8 million packages in the regular 8-point type. Based on 1977 actual costs and the May 1978 postage increase, we estimate that this would be about \$1.4 million. Thus, the larger-type package would cost \$1.4 million, or about 17 cents more per package. This increase is due mostly to the cost of larger paper-- 11 x 14 inch--and the related mailing costs.

As is the case for improving the tax packages overall, the cost of preparing a special package for the elderly is not beyond reason. The feasibility of preparing such a package should be considered as a part of an overall improvement effort.

CHAPTER 3

IRS CONCERN FOR TECHNICAL ACCURACY

HAS OVERSHADOWED THE NEED FOR UNDERSTANDABILITY

Over the years, IRS has been most concerned with making sure that the packages accurately reflect the tax laws. It has seldom adequately drawn on the writing and design skills of its own employees or outside experts to ensure that readability does not unduly suffer in the quest for technical precision. Once developed, the forms and instructions have been approved by committee.

IRS is now beginning to change its approach. It plans to rewrite the 1040 and 1040A instructions in 1978 to make them easier to understand. This is an encouraging sign. But IRS plans are not sufficiently comprehensive. More could be done to make the tax packages the taxpayer aids they should be.

IRS needs a comprehensive plan for making the forms and instructions more readable and understandable to taxpayers. The successful development and implementation of such a plan will require commitment of more resources and total support by IRS management.

RESPONSIBILITY FOR DECIDING CONTENT AND FORMAT OF TAX FORMS AND INSTRUCTIONS IS DIFFICULT TO PINPOINT

Organizationaly, the Assistant Commissioner, Technical, is responsible for developing all tax forms and instructions. However, he is not directly responsible for approving them. This is done by an 11-member Tax Forms Coordinating Committee made up of middle management representatives from each of the eight Assistant Commissioners, the Office of Chief Counsel, and the tax analysis group from the Office of the Assistant Secretary of the Treasury for Tax Policy.

The committee receives recommendations for changes from a tax law specialist working in a group under the Assistant Commissioner, Technical. In developing draft forms and instructions for the committee's approval, the tax law specialist considers comments from officials

throughout IRS and from outside sources. He can also draw upon the services of other IRS personnel reporting to other Assistant Commissioners, such as graphics people, but cannot direct that they commit time to such efforts. In most cases the tax law specialist decides the extent to which he will use comments from others in drafting the forms and instructions sent to the committee. Thus, he is the focal point in the entire process.

The committee chairman is located in the office of the Director of the Tax Forms and Publications Division under the Assistant Commissioner, Technical. However, neither the Chairman of the Committee, the Division Director, nor the Assistant Commissioner, Technical, have the final say on what goes into the forms and instructions. Rather, there must be unanimous agreement by all committee members as to the content and design. If they cannot all agree, the decision is passed up to officials of the offices who disagree and the Assistant Commissioner, Technical. If they cannot reach agreement, the matter goes to the Commissioner. In the majority of cases, however, the committee is able to reach agreement.

Thus there is rarely any need for top IRS management to become involved in decisions made by the committee. Exceptions to the process occur when top management takes the initiative. For example, the Commissioner became personally involved in deciding the sequence to be used on the 1977 tax forms. However, the involvement of top level management is not systematic. There is not adequate assurance that parochial views within IRS do not dominate the decisionmaking process.

Most decisions on what goes into the forms and instructions are made basically by the tax law specialist in informal consultation with committee members and others. This occurs before drafts are submitted to the committee. Thus, it is difficult to pinpoint the source or reason for changes. This decisionmaking process has resulted in technical accuracy overshadowing understandability as is discussed in the remainder of this chapter.

IRS HAS FOCUSED ON TECHNICAL ACCURACY MORE THAN READABILITY WHEN DEVELOPING FORMS AND INSTRUCTIONS

The 1040 and 1040A packages are updated and revised each year before they are printed. As noted above, the focal point for this process is a tax law specialist. He is helped on a part-time basis by writer-editors and forms

management analysts. The specialist's "new" forms and instructions are reviewed by his supervisor and the Tax Forms Coordinating Committee. Once the committee gives its approval, the forms and instructions are printed.

Tax law specialists have auditing
but not writing backgrounds

Currently, one tax law specialist has responsibility for the forms and instructions used by over 80 million individual taxpayers. 1/ IRS expects the specialist to

- see that the forms and instructions accurately reflect the tax laws and regulations,
- translate the laws and regulations into easy-to-understand tax forms and instructions, and
- write in such a way as to be readily understood by the general public.

The specialists have the technical backgrounds to monitor and analyze the tax laws, court decisions, and IRS regulations which the forms and instructions must reflect. They do not, however, have the backgrounds to adequately write and design material that the general public can easily understand.

Tax law specialists are usually former IRS auditors who spent several years examining tax returns. Most often, they were revenue agents--auditors who examine the more difficult returns, such as those filed by corporations--and generally have college degrees in accounting. This education and experience is in keeping with IRS orientation toward technical accuracy in the forms and instructions. But it is not in keeping with the need for a high degree of writing ability. While IRS officials told us that they have placed more emphasis in recent years on getting tax law specialists who have writing skills, the specialists only receive on-the-job training and a 20-hour course in legal writing.

1/The specialist is responsible for Form 1040, 1040A, 1128, 3115, and 2120; Schedule A, B, C, F, and TC; and all related instructions.

Writer-editors borrowed and infrequently used

IRS employs writer-editors but, over the years, has not adequately used them to make the tax forms and instructions more understandable. In 1977, they were given a greater role in reviewing the instructions.

The writer-editors are in a different organizational unit than the tax law specialists. 1/ The unit was created in 1968 to improve the forms and letters sent to taxpayers after they file their returns. Currently, six people are in the group, and most have college degrees in English or journalism. Because they have their own work to do, the writer-editors review the tax instructions only on a part-time, as-requested basis.

Until 1977, the writer-editors were infrequently given the tax instructions to review and then only to improve such specific areas as grammar. In 1977, however, they were asked to extensively review the 1040A instructions. This change may have been due to greater concern on the part of IRS management about the instructions' reading levels.

First, the writer-editors reviewed the 1040A instructions in segments. Later, they reviewed the assembled 1040A package. While some of their suggested changes were used, others were not. This occurred because the tax law specialist could not review all of the changes for accuracy with the tax laws in time to meet the printing deadline.

Forms management analysts have printing rather than graphic design backgrounds

After the tax law specialist has reviewed the writer-editor suggestions, he sends the tax packages to another organizational unit staffed by forms management analysts. These analysts review the packages for printing requirements. If asked, they also comment on other graphic design aspects of the packages, but the design is already about 90 percent complete by this time. The analysts do not have particular backgrounds in graphic design. Personnel in another unit do, but they seldom work on the tax packages.

1/Both units, however, report to the same branch chief.

Forms management analysts have college degrees and/or experience in printing. Within IRS they only attend a 2-week course in graphic design and receive some related on-the-job training. Like the writer-editors, they have major responsibilities in addition to reviewing the tax packages, and their suggestions must be approved by the tax law specialist before being used.

IRS has full-time graphics design personnel, but essentially does not use them in developing the 1040 and 1040A packages. The graphics design personnel are assigned to their own organizational unit and do graphic design work for all of IRS. The unit's only contribution to the tax packages so far has been the cover design for the 1977 Form 1040 packages. According to IRS officials, the unit has not had more input due to the severe time constraints for developing the packages. Significantly, officials of the unit believe that substantive design improvements are possible in both the 1040 and 1040A packages.

Reviews are geared more towards
technical accuracy and tax administration

The tax law specialist, after considering the changes suggested by the writer-editors and forms management analysts, sends the tax forms and instructions to

- his branch chief,
- the technical advisor to the branch chief, and
- the Tax Forms Coordinating Committee.

These officials and the committee members review the material more to ensure technical accuracy and ease of tax administration than for understandability by the general public.

The branch chief and technical advisor positions have historically been filled by revenue agents. As would be expected, their reviews also center on technical accuracy.

As noted above, the Tax Forms Coordinating Committee gives the final approval of the tax forms and instructions. The committee's review centers more on the interests of the assistant commissioners than those of taxpayers. This is because each related member is most concerned about if and how a proposed change will affect his assistant commissioner's responsibility for tax administration. Several

examples of the nature of the discussions at committee meetings illustrate the focus of the committee.

On August 9, 1977, the committee discussed Form 1040 and schedules A and B. Following are excerpts from the minutes of that meeting.

"Items from the line-by-line review were discussed and the Committee elected to retain the 'amount overpaid' line for the benefit of the taxpayers. Other items are needed by the various functions or are required by regulation.

* * * * *

"In an effort to reduce the taxpayer's reporting burden, the check box on the minimum tax line (line 49) was eliminated. After the meeting, the Compliance representative informed the analyst of Compliance's need for the box because of their enforcement programs. The analyst suggested that Compliance raise the issue again at another meeting so that it could be considered in greater detail and because the same problem may exist on other forms listing minimum tax.

"ACTS [Accounts, Collection, and Taxpayer Service] stressed their need for a check box for student dependents and after much discussion it was decided that a representative from ACTS and the analyst would discuss the problem further. After the meeting it was agreed that the check box would be added to the next proof. ACTS had established the need for the box and stated that they would be able to extract enough information from the return to make proper identification of the taxpayers in question.

"Schedules A & B (Form 1040), Itemized Deductions AND Interest and Dividend Income

"Items from the line-by-line review were discussed briefly and it was agreed that the name and social security number and lines 35-40 of Schedule A were needed even though the review indicated they could be deleted."

On September 20, 1977, the committee made a page-by-page review of the Form 1040 instructions. The minutes of the meeting recorded "no comments" for 15 of the 48 pages in the instructions. Excerpts of the comments that were made follow.

"Page 3 The Highlights for 'Standard Deduction' and the 'General Tax Credit' have been rewritten. The 'Support Test for Dependent Children of Divorced or Separated Parents' has been removed because of possible technical interpretation questions. The Privacy Act Notice, as revised, will be moved to this page to help eliminate the extra page of instructions.

* * * * *

"Page 7 Instructions under 'Things to Remember on a Joint Return' will be reduced, leaving only the last two sentences of the paragraph. The other instructions are redundant.

* * * * *

"Page 9 It was pointed out by Technical's representative that the instructions under 'Children of Divorced or Separated Parents' would have to be expanded to reflect the preliminary draft of the proposed regulations in the area. The acting chairman stated that since the present language properly followed the law, no change would be made.

* * * * *

"Page 14 Instructions for line 60 will be reduced to gain needed space. Will rely on Form 4136 and Publications.

* * * * *

"Page 18 Because of a request by ACTS, a brief instruction was added for nominee recipients of income. This addition was made over the objection of the Forms Branch. The objection is based on the fact that taxpayers have been told for years that filing Form 1087 already accomplished the desired goal while it, in fact, does not. The Committee agreed to the change in an attempt to avoid Service contacts with nominees.

* * * * *

"Page 25 An ACTS representative stated that recent legislation established special rules for taxpayers who live in community property states and are married to nonresident aliens. It was pointed out that the Forms Branch was aware of this rule, which was part of the 1976 Tax Reform Act. However, because of limited application, we plan to rely on publications.

* * * * *

"Page 27 Instructions for line 15a will be shortened and taxpayers referred to instructions for Form 1040, line 25.

* * * * *

"Page 30 The acting chairman suggested the possibility of eliminating items (1), (3), and (4) under 'Limited Deduction for Losses Arising from Certain Activities' as a means of gaining space. This will be done on a subsequent proof if more space is needed."

It is understandable why the committee operates in this manner--organizations and people tend to emphasize issues directly affecting their operations. IRS officials agree, however, that at times this causes a conflict between taxpayers' needs and those of IRS.

Of the eight assistant commissioners represented on the committee, only one has specific responsibility for directing a taxpayer service program. This program includes answering taxpayers' questions about taxes, especially during the return filing season. However, this assistant commissioner has other responsibilities as well. A major one is processing the more than 133 million returns IRS receives annually. The committee member who represents this assistant commissioner must, therefore, be concerned about more than just taxpayer service.

Although IRS emphasis on the technical accuracy of the instructions is understandable, it is important to note that taxpayers cannot rely on the tax instructions in place of the law. On March 10, 1978, the Interpretative Division of IRS Office of Chief Counsel responded as follows to our request for IRS views as to the extent that instructions and publications provided with tax forms are binding on IRS.

"Instructions and publications provided with tax forms can not be relied upon by taxpayers. The Ninth Circuit said in Adler v. Commissioner, 330 F.2d 91, 93 (9th Cir. 1964), '[n]or can any interpretation by taxpayers of the language used in government pamphlets act as an estoppel against the government, nor change the meaning of taxing statutes' Accord, Carpenter v. United States, 495 F.2d 175, 184 (5th Cir 1974); Aldridge v. Commissioner, 51 T.C. 475, 482 (1968); Clark v. Commissioner, T.C.M. 1966-22.

"As stated by the Tax Court in Peterson v. Commissioner, T.C.M. 1970-181 at 808, taxpayers

must be held to know that the pamphlet 'Federal Income Tax Forms' does not give the full details of the applicability of a particular deduction or section. For a full explanation the sections and regulations must be referred to, as well as additions and modifications thereto which are published in the Federal Register.

"Further, the nonbinding nature of IRS informational pamphlets can be traced to the United States Supreme Court's statement in Dixon v. United States, 381 U.S. 68, 73 (1965) that Congress, not the Commissioner, prescribes the tax laws. See Green v. Commissioner, 59 T.C. 456, 458 (1972); Rogovin, The Four R's: Regulations, Rulings, Reliance and Retroactivity, 43 Taxes 756, 774 (1965)."

We too believe the instructions should be accurate. But we also believe that understandability should and can be equally emphasized. The development process, as currently structured, diffuses the responsibility for decision-making rather than fixing it at a high enough management level to ensure that this balance is achieved.

We do not propose eliminating the type of review currently done by the committee. Obviously, technical and administrative concerns must be addressed. What is needed is to bring a broader perspective to the committee.

Not only have IRS internal efforts not been as successful as they could have been at improving the forms and instructions, but, as discussed next, attempts to secure assistance from outside groups have also been unsuccessful.

USE OF OUTSIDE ASSISTANCE INFREQUENT
AND LARGELY UNSUCCESSFUL

Through the years, IRS has relied mainly on its own employees to develop the tax forms and instructions. On a few occasions, it has hired outside firms and individuals to study the tax packages and identify ways to improve them. Memories of IRS officials are vague and IRS files are incomplete as to what happened in the earlier studies. However, the more recent ones have not been particularly successful either because of their superficial depth or lack of guidance by IRS.

In 1977 IRS hired a private firm primarily composed of tax law experts to rewrite the instructions for Form 1040A. An office under the Assistant Commissioner, Technical was responsible for administering the contract. This was the first major contract in at least 5 years for help in developing a more useful tax package. The contract, awarded on the basis of the lowest bid, was for \$3,000. IRS intent was to improve the instructions, but the details of what to do were not adequately thought through. IRS did not give the contractor adequate guidance nor develop adequate standards against which to measure the results. Consequently, the rewritten material was found to be only slightly improved when later evaluated by a reading expert.

The contractor was not required to reach a specific reading level--for example, the eighth grade. Nor was he required to lower the reading level by a certain amount--for example, two grades below the original material. Instead, he was told only to rewrite the material to the lowest level possible. The contract did, however, require that the rewritten material be tested for readability using a test known only as SMOG. This is one of the simpler readability tests and, by itself, not a reliable measure. Readability should be tested by at least two tests, each using a different measure such as word length, sentence length, or number of unfamiliar words.

The contract required the revised material to "retain at least 90 percent accuracy in comprehension." However, no procedures were spelled out to ensure this. Further, comprehension cannot be tested through mathematical reading tests. The standard method for determining comprehension is to test the rewritten and original materials on groups of people, then compare the results to see if the rewritten

material produced more accurate answers. This was neither required nor done.

Earlier, in 1972, IRS had hired another firm to rewrite the 1040 and 1040A instruction packages. We do not know what the firm was specifically requested to do or what guidance IRS provided because IRS files are incomplete. The firm submitted its report to the Chairman of the Tax Forms Committee. The files showed that most of the firm's suggestions for the 1040A instructions were rejected but did not show why or by whom.

In the area of design, an office under the Assistant Commissioner, Administration, in 1977 hired a consultant for a one-day look at Forms 1040 and 1040A. The last time IRS had contracted for design expertise was 1965. The consultant, a graphic design professor, did not, nor was he asked to, redesign the forms. Rather, he concentrated primarily on the use of color. He also commented on vertical alignment, more consistent use of some design features, and other minor points. Some of his suggestions were used.

In addition to the three contracts above, IRS has, from time to time, obtained writing and design assistance from people and firms on a voluntary basis. For example, in 1972 IRS received such assistance from two major retailers, a group of teachers, and a group of graphic artists. IRS did not have readily available information showing whether or not the work was used and why it was or was not. But the 1972 and 1973 forms and instructions were not much different from those for 1971.

One of the main problems with the above-mentioned efforts was that they did not reflect a systematic effort to use outside experts to help improve the forms and instructions.

IRS PLANS TO REWRITE THE INSTRUCTIONS BUT MORE IS NEEDED

IRS has begun an effort to simplify both the 1040 and 1040A instructions. While no formal plan has been issued, IRS officials told us that the effort will be aimed at re-writing the instructions to lower their reading levels. IRS plans, as we understand them, should produce instructions that are easier to understand than those now used. But, because the effort will center mainly on reading levels, it falls short of the comprehensive program needed to make the forms and instructions the taxpayer aids they should be.

What IRS plans to do

The effort, which had its beginnings in 1977, will use a newly hired reading specialist to identify problems. The specialist will review the instructions to identify parts that

--are difficult to read and understand,

--are repetitious, or

--conflict with other parts.

He will then give the parts that need to be rewritten to writer-editors and will use readability formulas to determine the reading level before and after they are rewritten. As of April 1978, no readability goal had been set.

The writer-editors will continue to work in their own organizational unit but will be told to give the instructions priority. The tax law specialist will continue to review their rewrites for technical accuracy. In the past, this usually resulted in rejection of suggested changes. Under the current effort, however, differences between the writer-editors and the tax law specialist will be resolved by the Assistant Director for the Tax Forms and Publications Division who is also the Acting Chairman of the Tax Forms Coordinating Committee. He told us that technical accuracy would still be strived for but within the context of easier-to-understand instructions. By bringing the Chairman of the Tax Forms Coordinating Committee into the decisionmaking process, rather than relying on the judgment of a tax law specialist, there is a greater likelihood that more proposed changes will be accepted.

In 1977, IRS conducted some limited tests of the 1040 and 1040A forms and instructions before they were printed. IRS officials told us that limited testing would also be done under the current effort but that the details had not yet been worked out.

Why IRS plans fall short

IRS effort to bring better writing to the instructions is a positive step. But writing is just one way through which the tax packages can be made more useful. Our work demonstrates that tax expertise, writing skills, and graphic design knowledge must all be combined to produce the most usable tax packages. Even if IRS brings

together this expertise, we are not convinced that the best place to do so is the organizational unit that has been historically responsible for developing the forms and instructions. Institutional biases are difficult to overcome, and, given past experiences, we are not certain that the proper trade-offs would be made.

IRS plans also fall short in that they place too much emphasis on readability formulas to determine whether the instructions are being made easier to read and understand. While readability formulas do indicate the reading difficulty of written material, writing experts told us they should be used as only one indicator of such difficulty. They said the ultimate way to determine understandability is to test the material on the intended users.

IRS plans to test only a limited amount of the tax materials on intended users. Because it plans to rewrite all of the 1040 and 1040A instructions in 1978, it must limit its tests in order to use the results to correct problems before the instructions are printed in the fall. However, IRS has no plans to expand its tests in future years. IRS believes that the time constraints faced in issuing the tax packages do not permit extensive testing.

More extensive testing is crucial to learning if the forms and instructions are being made more understandable. This testing need not be done solely within the IRS April to October cycle for updating them.

CHAPTER 4

CONCLUSIONS AND RECOMMENDATIONS

The ultimate way to ease the taxpayers' task in filling out their returns is to simplify the tax laws. However, much can be done to make the tax forms and instructions more readable and easier to understand so that a greater number of taxpayers will be able to complete their own tax returns. Although IRS has made progress in the past several years in terms of making the tax forms and instructions easier to understand, it has not done as much as could be done.

IRS has not given improvement of the tax forms and instructions adequate attention. Responsibility for overseeing the form and instruction development process and improving the end products resides with a committee composed of middle management personnel from the various organizational units in IRS. The primary focus of this committee and of others involved in the process is on ensuring technical accuracy. Obviously, the tax packages have to be correct and cannot mislead the taxpayers. But they should also be understandable to those who must use them.

A comprehensive plan to improve the tax forms and instructions will require the combined expertise of individuals skilled in writing, design, and knowledge of the tax laws. We doubt that the current organizational structure of IRS is conducive to effectively bringing together such a group of experts in a way that all concerns are given proper consideration. The staff of each Assistant Commissioner has particular concerns. The staff has other duties as do the Assistant Commissioners, making it difficult for them to devote the time needed to make a comprehensive effort for improving the tax packages pay off.

Indeed, it is difficult to identify a proper organizational setting below the Commissioner's level that could effectively bring to bear the different talents needed to implement a comprehensive plan for improving the tax packages that will ensure that all views are given proper consideration. On the other hand, it is not necessary to reorganize IRS to improve the tax forms and instructions. What is needed is a group brought together for a specific time to focus only on this task. They should

report to a sufficiently high management level to ensure that the parochial interests of each IRS office, while recognized, do not dominate the final decisions as to what should go on the tax forms and in the instructions.

The best approach would be for the Commissioner to establish a special task force made up of appropriate IRS staff with the authority to contract for expert assistance. The task force should be given a set timeframe within which to develop revised forms and instructions. It should report directly to the Deputy Commissioner, who would then be responsible for securing comments from the Assistant Commissioners and other IRS offices on the task force's proposals before making his final recommendations to the Commissioner. The responsibility for final approval should reside with the Commissioner.

Successful development and implementation of such an effort would require time, money, and commitment. IRS management must fix specific responsibility for the effort and provide visible support to it. Our cost estimates are based only on preliminary analyses and are therefore very tentative. They show, however, that it may only require a one-time investment of \$900,000 and recurring annual costs of about \$3.3 million or about 5 cents per tax package in the first year to improve the readability and understandability of the 1040A and 1040 tax forms and instructions. This is a small price to pay if, by spending the money, the Government is able to convey to the taxpayers its concern about their ability to fill out their tax returns. Perhaps by spending this amount, IRS will be able to reduce by a similar or even larger amount the funds it must spend to adequately ensure voluntary compliance with the tax laws.

From a budget standpoint, IRS should first develop estimates of how much it would cost to undertake a comprehensive effort to improve the tax forms and instructions. After developing such cost estimates, it should determine to what extent it could absorb the costs by reprogramming funds already appropriated to it. We would expect that any additional funds needed to implement the task force's recommendations (e.g. for printing and mailing costs) would be provided by the Congress as part of the normal appropriation process.

Ongoing cooperation between the executive branch and the Congress will help ensure success of this project. Thus, the Congress should consider holding oversight hearings on this matter before determining the extent to which it

should appropriate additional funds so IRS could implement recommended changes. Moreover, continued oversight hearings as the project progresses would help ensure that the project is getting the attention and support it deserves from the administration.

Further, IRS should build into its day-to-day procedures as much of the task force approach as possible, especially the features of combining the expertise of writers, designers, and tax law specialists. Thus, one of the objectives of the task force should be to recommend to the Commissioner how the process it uses can be institutionalized within IRS.

We are optimistic that IRS can bring about the improvements we think are necessary to make the tax forms and instructions more readable. Yet, a word of caution is in order. It is unrealistic to expect that the type of improvements we are talking about can be realized overnight. As we have emphasized throughout this report, it is essential to develop and properly field test changes before implementing them on an operational basis. Thus, IRS must be given time to properly and effectively complete the project. One way to possibly balance the need to produce results over the short term and still satisfy the long-term objectives of the project is to have the task force consider an incremental approach whereby it would focus first on only certain forms and instructions, propose changes in them, and have them tested and put into operation before moving on to the next area. IRS and the Congress may want to discuss the desirability of such an approach before agreeing on additional funds to be spent on the effort.

RECOMMENDATIONS TO THE COMMISSIONER OF INTERNAL REVENUE

We recommend that the Commissioner:

- Establish a special task force, made up of appropriate IRS staff, to undertake a full-time, comprehensive effort to improve the tax forms and instructions. The task force should be under the direct supervision of the Deputy Commissioner and have authority to secure the use of outside writing and design experts to assist in the effort. The Deputy Commissioner should forward task force proposals to the Commissioner for final approval.

--After establishing the task force, require it, within as short a timeframe as possible, to develop a comprehensive plan that, among other items:

1. Details the specific improvement goals it expects to achieve.
2. Specifies the timeframes for achieving them.
3. Presents estimates of the cost of the effort including a special package for the elderly.

--Initiate action, after developing the cost estimates, to reprogram funds already appropriated to support the task force's effort. (These funds would be directed to the one-time costs for redesigning, rewriting, and testing the tax packages.)

--Direct the task force, as part of its effort, to (1) recommend ways to institutionalize the use of a broader mix of writing, design, and tax law experts in IRS continuous review of tax forms and instructions and (2) focus responsibility for approving the forms and instructions at a high enough management level to assure that proper balance is achieved between technical accuracy and understandability.

--Advise the Congress when the task force is established and, subsequent to the submission of its comprehensive plan, notify the Congress of its goals, timeframe for achieving them, and the estimated cost of the effort.

RECOMMENDATIONS TO THE CONGRESS

Because of the importance of the simplification effort and the need for the Congress to support it by providing funds to implement the improvements, we recommend that the Congress hold hearings to review with IRS its plan for improving the tax forms and instructions and the progress being made. Detailed cost estimates on printing and distributing revised tax forms and instructions to taxpayers could also be discussed as the project progresses.

Such a continuing dialogue should result in agreement between the Congress and IRS regarding the additional cost per tax package that should be incurred to implement proposed improvements. Thus, the Congress could better ensure

that IRS gets the funds needed to implement the suggested improvements.

INTERNAL REVENUE SERVICE
COMMENTS

By letter dated June 7, 1978, the Commissioner stated that IRS agrees with the general conclusions of the report and is initiating actions consistent with our recommendations to make the tax forms and instructions easier for taxpayers to understand and complete. (See app. I.)

Regarding our recommendation that IRS establish a full-time task force directly under the supervision of the Deputy Commissioner to undertake the simplification effort, IRS stated it "will establish a control group of appropriate Assistant Commissioners who will be supervised by the Deputy Commissioner * * * ." This group will be responsible for directing the effort. This response is consistent with the intent of our recommendation.

However, we are concerned that certain essential characteristics of the task force, as we envisioned it, may not be included in the IRS approach. It is essential that the key staff work on this effort full time. Competing demands has been one of the problems in the past. By having key staff devote full time to the effort, there is also better assurance that it will be done in as short a timeframe as possible.

One of our other concerns is that the specific interests of the various IRS offices tended to dominate the decisionmaking process as to what went on the forms and in the instructions. Even though the "control group" of Assistant Commissioners will be supervised by the Deputy Commissioner, we are still somewhat apprehensive that the proper balance may not be achieved between technical accuracy and understandability. Apparently the key staff working on the effort will still report to their appropriate Assistant Commissioners. Thus, parochial interests may still dominate the decisionmaking process.

COMMISSIONER OF INTERNAL REVENUE

Washington, DC 20224

JUN 7 1978

Mr. Victor L. Lowe
Director
General Government Division
General Accounting Office
Washington, DC 20548

Dear Mr. Lowe:

This responds to your request for our comments on your draft report to the Joint Committee on Taxation entitled "Further Simplification of Income Tax Forms and Instructions is Needed and Possible." We agree with the general conclusion of your report that the Federal income tax instructions and forms can be made easier for taxpayers to understand and complete.

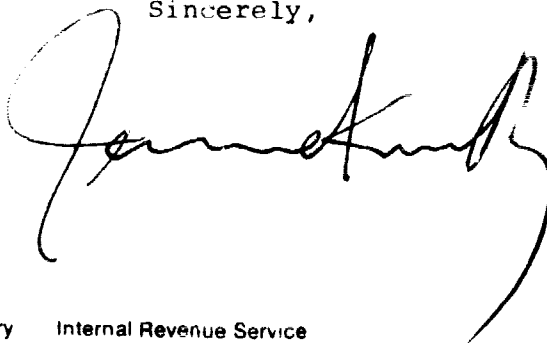
Our statistics suggest there has been progress this year in simplification which is reflected in the decline in error rates and increase in the percentage of returns prepared by taxpayers without the assistance of professional preparers.

We agree that additional improvements can be made and that outside consultants may provide useful perspective and assistance. We also agree that a sufficient time period should be devoted to any further simplification efforts so that proposed changes can be thoroughly evaluated and tested.

Simplification is a significant priority. It is also essential that the results be practicable from a processing viewpoint and technically accurate. We will take all appropriate steps to achieve further simplification within a balanced tax administration program. Our responses to your specific recommendations are enclosed.

With kind regards,

Sincerely,



Enclosure

Department of the Treasury Internal Revenue Service

Responses to GAO Recommendations

1. Recommendation:

-- That the Commissioner establish a special task force under the supervision of the Deputy Commissioner, made up of appropriate IRS staff, to undertake a full time, comprehensive effort to improve the tax forms and instructions. The task force should be under the supervision of the Deputy Commissioner and have authority to secure the use of outside writing and design experts to assist in the effort. The Deputy Commissioner should forward the task force proposals to the Commissioner for final approval.

-- That the Commissioner, after establishing the task force, require it, within as short a time frame as possible, to develop a comprehensive plan that, among other items:

- (1) details the specific improvement goals it expects to achieve,
- (2) specifies the time frames for achieving them, and
- (3) presents estimates of the cost of the efforts, including a special package for the elderly.

Response: We will establish a control group of appropriate Assistant Commissioners who will be supervised by the Deputy Commissioner and will be responsible for directing the development of comprehensive plans for simplification of tax forms and instructions, including goals, time frames, and cost estimates. We anticipate that outside experts will be secured to assist in the simplification efforts. The recommendations developed through the group will be forwarded to the Commissioner for final approval.

2. Recommendation: That the Commissioner initiate action, after developing the cost estimates, to reprogram funds already appropriated to support the task force's effort. (These funds would be directed to the one-time costs for redesigning, rewriting and testing the tax packages.)

Response: Simplification of the forms and instructions is a significant priority. However, the extent to which we can reprogram already appropriated funds to this effort must depend upon the actual cost estimates developed and upon our evaluation of competing needs for available resources. We will seek additional funds where appropriate to support this effort.

3. Recommendation: That the Commissioner direct the task force, as part of its effort, to (1) recommend ways to institutionalize the use of a broader mix of writing, design and tax law experts in the Service's continuous review of tax forms and instruction, and (2) focus responsibility for approving the forms and instructions at a high enough management level to assure that proper balance is achieved between technical accuracy and understandability.

Response: We agree. The control group will address these matters.

4. Recommendation: That the Commissioner advise the Congress when the task force is established and, subsequent to the submission of its comprehensive plan, notify the Congress of its goals, time frame for achieving them, and the estimated cost of the effort.

Response: We will advise the Congress when the control group is established and will notify Congress of the goals, time frames, and estimated costs developed through the control group, subsequent to their approval by the Commissioner.

Form 1040 instructions rewritten by experts
who helped GAO

THE USABILITY OF SELECTED INCOME
TAX MATERIALS

Prepared for the General Accounting Office

By the Basic Skills Group
National Institute of Education

January 31, 1978

This report summarizes our review for the General Accounting Office of the usability of selected IRS materials. It also presents revisions of these materials, showing how they can be made more usable. The report is divided into five sections:

- A one-page overview
- Our critique of the original material
- Revisions of the material
- Rationale for the revisions
- An appendix showing some of the resources we used

Dr. Ramsay Selden headed the project and completed the bulk of the work involved. Dr. Selden is attached to the Basic Skills Group as an Education Policy Fellow for the 1977-78 academic year, under a program operated by the Institute for Educational Leadership. He completed his doctorate at the University of Virginia in 1977, and is engaged in a number of studies on readability and reading instruction issues.

Susan G. Backus completed the analysis of the type faces used by IRS, and contributed heavily to the revision of the material. Ms. Backus works as a consultant to the Basic Skills Group, analyzing research on typographic factors in reading. She is enrolled in the doctoral program in reading education at Harvard University.

Dr. Thomas G. Sticht contributed the analysis of adult literacy levels as they relate to the difficulty of the IRS material, and provided comments on the revision of the material. Dr. Sticht is the Associate Director of the Basic Skills Group, and is an eminent researcher on the issues of functional literacy.

The comments and support of the staff of the Basic Skills Group are gratefully acknowledged.

● WHO MUST FILE

You may not have to file (fill out a tax form and send it in). Whether you must file depends on things like your age and income. You must file if your income is \$6200 or more. If your income is less, you may still have to file. See the rules below. These rules are for all U.S. citizens, including those under 21 years old. They also include some people who are not U.S. citizens. (See page .) If you do not know what income to include, see page .

You must file if your income is this much or more:

RULES ON WHO MUST FILE

SINGLE?*	UNDER 65?	\$2950
	65 or OLDER?	\$3700
MARRIED?** Husband and wife filing on one return.		
	BOTH of you UNDER 65?	\$4700
	ONE of you UNDER 65?	\$5450
	BOTH of you 65 or OLDER?	\$6200
MARRIED?*** Filing a separate return.		\$750
Can be CLAIMED AS A DEPENDENT on parents' return, and have taxable dividends, interest, or other unearned income of \$750 or more?		
		\$750
Qualifying WIDOW or WIDOWER with a dependent child?		
	UNDER 65?	\$3950
	65 or OLDER?	\$4700
Can you EXCLUDE INCOME from sources within U.S. possessions?		
		\$750
SELF-EMPLOYED?		
You must file if your net earnings from self-employment are \$400 or more.		
*Divorced, legally separated, or never married. You can file as single if you live apart from your husband or wife for all of 1977, with your dependent child.		
**Filing a joint return and living with your husband or wife at the end of 1977, or at the date of your spouse's death.		
***Filing separately or not living with your spouse at the end of 1977.		

You may still want to file, even if you do not have to. You may have had tax taken out of your pay, or you may be able to take the Earned Income Credit. You must file a return to get this money back. Please see the information for Short Form 1040A to tell whether you can use it.

- WHEN TO FILE

You should file as soon after January 1 as you can.

You must file by April 17, 1978.

You may have to pay interest and penalties if you file late.

See page for information on interest and penalties.

- WHERE TO GET FORMS

We looked at the forms you used last year to decide what to send this year.

A bank or post office near you may have other forms or information you need.

You can order other things you need. Use the order blank inside the back cover.

- HOW TO FILE

Follow the guide which starts on page .

If you want, IRS will figure your tax for you. See the section on the next page.

- ROUNDING OFF

If you round off, you must do it on the whole form, unless a line or form says not to.

You may drop amounts under 50 cents. Increase 50 to 99 cents to the next dollar.

For example, \$1.39 becomes \$1; \$2.63 becomes \$3.

- RECORDS

Records that support income, deductions, or credit must usually be kept for three years after the return was due or filed. They should be kept for

two years after the tax was paid, if this is later.

Records of property cost (including your home) should be kept

as long as they may be needed for the basis of original or replacement property.

You should keep copies of your tax returns.

There is no limit on how long some records must be kept. See Publication 552, Recordkeeping Requirements, and A Guide to Tax Publications for more information.

- TO CORRECT A RETURN

Use Form 1040X to correct a return you have already filed.

- SPECIAL SITUATIONS

U.S. Citizens Living Abroad: Generally, you must report income earned abroad.

See page , What Income to Report. Get Publication 54, Tax Guide for U.S. Citizens Abroad.

Death of a Taxpayer: The surviving husband or wife or the personal representative

must file a return for a person who died in 1977 or who died in 1978 before he or

she filed a tax return. Procedures are described briefly on page . Use Publication

559, Federal Tax Guide for Survivors, Executors, and Administrators.

Dual Status: You must follow special rules if you were both a non-resident alien and

a resident alien (or U.S. citizen) during the tax year. These rules are shown briefly

on page . See publication 519, United States Tax Guide for Aliens.

● **IRS WILL FIGURE YOUR TAX**

Your income (line 31) must be \$20,000 or less. (\$40,000 or less if you are married filing a joint return. \$40,000 or less if you are a qualifying widow or widower.) All of your income must be from wages, salaries, tips, dividends, interest, pensions, and annuities.

You must take the standard deduction. You may not average your income. You cannot use Form 2555 to subtract income earned outside the U.S.

Here is what you do to have IRS figure your tax:

1. Fill in the form through line 31. Be sure to fill in all the lines in the name and address area.
Check Yes or No for the Presidential Election Campaign Fund question.
2. Fill in lines 38 through 45.
Fill in 48 through 53 if they apply to you.
Fill in lines 55 and 56.
Complete 59 through 61a if necessary. Be sure to include the necessary forms.
3. On a joint return, show your income and your husband's or wife's separately in the space between lines 7 and 8. This way, we can figure your tax the way that will be the lowest.
4. Sign your return. You and your husband or wife must both sign a joint return, even if only one had income.
Write in the date.
5. Mail the return on or before April 17, 1978.

We will figure your tax.

We will send you a check if you paid too much.

If you did not pay enough, we will send you a bill.

Note:

You may be able to take the Earned Income Credit. See page for details.

We will figure the credit for you.

Just write EIC on line 57. Also write the first name of the child who makes you able to take the credit in the space on line 57.

We will also figure the Credit for the Elderly, if you can claim it.

Use Schedule R or RP. (See page 22.)

Check the box for Filing Status and Age on the Schedule.

Fill in line 2a of Schedule R, or lines 1, 2, and 5 of Schedule RP.

Write CFE on line 39 of your 1040 Form.

Fasten the Schedule to your return.

● SPECIAL SITUATIONS

Death of a taxpayer

A taxpayer may have died in 1977 or in 1978 before filing a return. The surviving husband or wife or the personal representative of the estate must file a return for the person who died.

The personal representative can file a joint return if:

- The surviving husband or wife agrees; and
- The surviving husband or wife did not remarry during the taxable year.

The surviving husband or wife can file a joint return if:

- He or she did not remarry during the taxable year; and
- A personal representative has not been appointed.

A joint return must include all income of the person who died and that of the surviving husband or wife for 1977.

Write the following statement in the signature area:

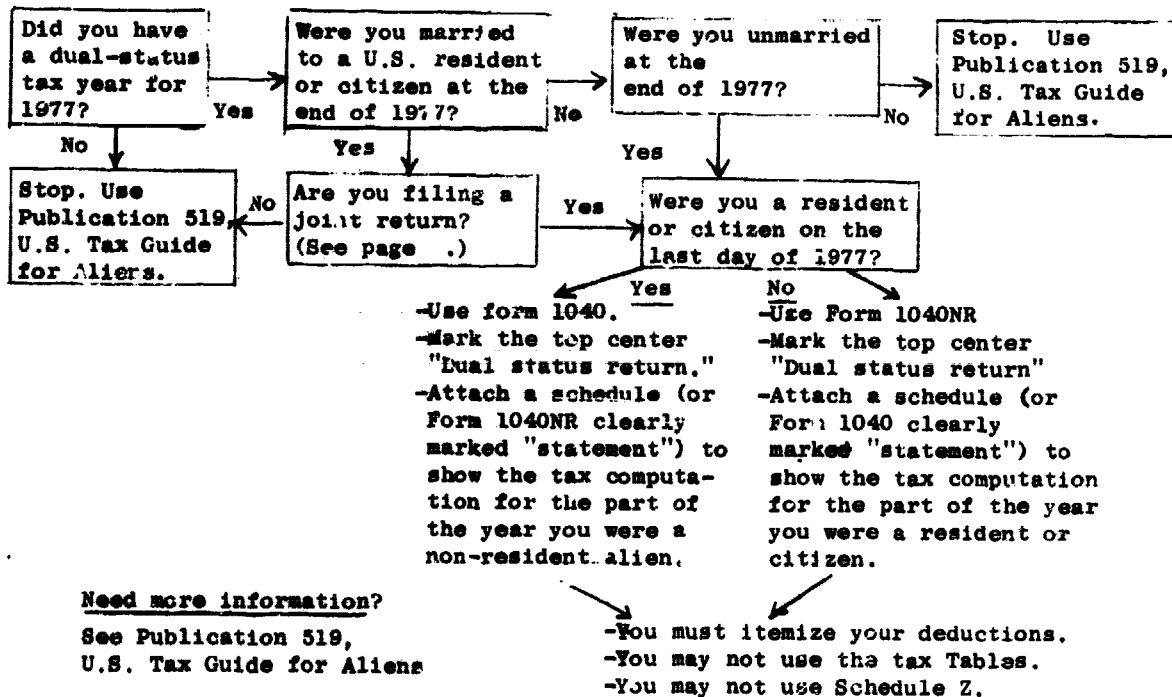
"Filing as surviving spouse".

Write the date of death in the Name and Address area.

Get publication 559, Federal Tax Guide for Survivors, Executors, and Administrators.

Dual Status Tax Year (Only for people who were non-residents for at least part of 1977.)

Use the following chart to guide you in filing a return.



● CREDIT FOR THE ELDERLY

Instructions for Schedule R--For People 65 or Older.

You may be able to take a credit which can be subtracted from your tax. As long as you are 65 or older, the credit does not depend on your type of income. The credit does not depend on your work experience in earlier years.

Married people must file a joint return to receive the credit, if they lived together at any time during 1977.

Nonresident aliens may receive the credit only if:

- they are married to a resident or citizen of the U.S.; and
- they file a joint return; and
- they include all worldwide income on that joint return.

Note:

The credit is figured on Schedule R or Schedule RP. Use the rules below to decide which one to use.

SINGLE -----	65 OR OLDER -----	Must use Schedule R
	UNDER 65* -----	Must use Schedule RP
MARRIED, Filing separately** -----	65 OR OLDER -----	Must use Schedule R
	UNDER 65* -----	Must use Schedule RP
MARRIED, Filing jointly** -----	BOTH 65 OR OLDER -----	Must use Schedule R
	BOTH UNDER 65+ -----	Must use Schedule RP
	ONE 65 OR OLDER, and ONE UNDER 65 with income from a public retirement program	----- Can use Schedule R or RP

Important:

*If you are under 65, you must have income from a public retirement program in order to take the credit. This income can be from your own services or from the services of your deceased husband or wife.

**Married couples who lived together at any time during 1977 must file jointly to receive the credit.

If you can use either Schedule R or RP to figure the credit, figure it with both Schedules. Then, use the Schedule which will give you a higher credit.

To figure your credit on Schedule R:

(You may be having IRS figure your tax. If you also want them to figure your Credit for the Elderly, see page .)

Check the box for Filing Status and Age.

Line 1. Enter the initial amount for figuring your credit as shown.

Line 2a. Enter amounts for these pensions and annuities:

-Social Security (Enter the gross amount before Medicare is taken out.)

-Railroad Retirement Act (Do not include Supplemental annuities.)

-Total payments from a matured U.S. Government life insurance endowment contract (Do not include payments which result from the cost of the contract.)

-Any other pensions and annuities that are not taxed.

Do not include military disability pensions.

Do not include any amounts treated as a return of your cost.

Do not include any amounts excluded from gross income. For example, sick pay or payments from a health or accident insurance plan.

Line 2b. Take your Adjusted Gross Income from your Form 1040, line 31.

If you are single, subtract \$7500.

If you are married filing a joint return, subtract \$10,000.

If you are married filing a separate return, subtract \$5000.

Take one half of the result.

Enter this amount on line 2b. (If this amount is 0 or less, enter 0.)

Line 3. Add lines 2a and 2b.

Enter this amount on line 3.

Line 4. Subtract line 3 from line 1. Enter the result on line 4.

If line 3 is larger than line 1, stop here; do not file this schedule.

Line 5. Take 15% of line 4.

Enter this amount on line 5. This is your Tentative Credit.

Line 6. Enter the amount of your tax from your Form 1040, line 37.

Line 7. Enter line 5 or line 6, whichever is smaller.

Also enter this amount on your Form 1040, line 39.

Fasten the Schedule to your return.

Get Publication 524, Tax Credit for the Elderly, for examples and information.

● EARNED INCOME CREDIT

If you earned less than \$8000, you may be able to take a credit or special payment up to \$400.

The credit may come as a check. Or, it may be subtracted from any taxes you owe. You cannot take the credit if you:

- Check box 3 on Form 1040, Married Filing Separately; or
- File Form 2555, Exemption of Income Earned Abroad; or
- File Form 4563, Exclusion of Income from Sources in U.S. Possessions.

You can take the credit if you can answer "yes" to each of these questions:

1. Did you have Earned Income for 1977? **Yes** **No**
 Earned Income means:

- Wages
- Salaries (after the Disability Income Exclusion)
- Tips
- Other employee compensation
- Net earnings from self-employment (Form 1040, Schedule SE, line 13)

Earned Income does not include social security benefits, welfare benefits, etc.

2. Is your Adjusted Gross Income (Form 1040, line 31) less than \$8000?

3. Is your Earned Income less than \$8000?

4. Did you pay more than half the cost of keeping up a home in the U.S.?

Did you live in this home?

Was this also the home of your child for the entire year, except for short absences such as vacation or school?

Check the statements which describe this child:*

My child was:

- Under 19 years of age. _____ (check)
- A full-time student. _____ (check)
- My dependent and was disabled. _____ (check)

Did you check any of the statements in the box above?

You can take the credit if you answered "yes" to each of these questions.

If you can take the credit, use the Earned Income Credit Worksheet on the back of this page to figure your credit.

*Note: You may have more than one child who makes you able to take the credit. These statements need only apply to one of these children.

EARNED INCOME CREDIT WORKSHEET

(Do not file this worksheet. Keep it for your records.)

1. Total wages, salaries, tips, etc., from Form 1040, line 8..... 1
Be sure to fasten copy B of Form W-2 to your return.

Caution: Were you under age 65 at the end of 1977?
If so, did you claim the Disability Income (sick pay) Exclusion?
If you did not claim it, include on line 1 any part of your sick pay that you included on Form 1040, Schedule E, line 5 or on Form 1040, line 17. Include only amounts you received before you reached minimum retirement age.

2. Disability Income (sick pay) Exclusion from Form 1040, line 30... 2 -

3. Subtract line 2 from line 1..... 3 =

4. Net Earnings From Self-Employment from Schedule SE, line 13. Do not include any amount also included on line 1 above. Do not include any amounts that are not included in income (such as rental value of a parsonage or rental allowance for a minister.)... 4 +

5. Earned Income. Add lines 3 and 4. (If line 4 is a loss, subtract line 4 from line 3.) 5 =
Is the result 0 or less?

No Yes
Stop here. You do not have an Earned Income Credit.

6. Adjusted Gross Income. From Form 1040, line 31. 6

7. Amount from line 5 or line 6, whichever is larger..... 7

8. Take 10% of line 5: _____. Enter this amount or \$400, whichever is smaller. 8
Is line 7 \$4000 or less?

No Yes
Stop here. Enter the amount on line 8 on your Form 1040, line 57. Also, write the first name of your child who makes you able to take the credit in the space on line 57. (See the note below.)

9. Enter the amount from line 7. 9

10. Subtract \$4000. 10 -\$4000

11. Enter the result here. 11

12. Take 10% of line 11: _____. Enter the result here. 12 -

13. Earned Income Credit. Subtract line 12 from line 8. Enter the result here. 13

Then, enter this amount on Form 1040, line 57.
Write the first name of the child who makes you able to take the credit in the space on line 57. (See the note below.)

Note: You may have more than one child who make you able to take the credit. You only need to enter the first name of one of the children.



SENIOR EDITOR • *Edward Zingler*

February 24, 1978

Dear Mr. Herrmann:

Enclosed is a layout and two sections of copy that reflect how Reader's Digest thinks the IRS instruction books might be revised. We have taken the two sections you singled out as being most subject to mis-interpretation -- "Who Must File," and "Children and Other Dependents."

As I mentioned to Mr. Romanoff on the phone, five of us worked on these materials. Our Chief Editor, Edward T. Thompson, reviewed the copy that three of us on the editorial staff adapted from the 1040 and 1040A Instructions. And our Art Director, Donald H. Duffy, took the more demanding of the two graphics problems presented -- the 1040A segment -- and developed the enclosed layout. The type faces and sizes are all specified in the margins. We think it ought to make an attractive and readable page.

You asked us, in your January 6 letter, to explain why we did what we have done. First, we tried to lessen the density of technical language in the materials that IRS sends out as instructions. Words like file, deduction, joint-return, exemption and dependent recur often, but are not clearly defined. It seems to us they ought to be defined as they appear.

An extreme example of the divergence between IRS idiom and common, every-day English, by the way, shows up on page two of the 1040 instructions. Under "Earned Income Credit Worksheet," is the puzzling direction: "Do Not File This Worksheet -- Keep It For Your Records." "File," here, is used in its special IRS sense (to mail in) and not in its every-day sense (to keep for your records). The result is more of a riddle than a sentence, and suggests the problems that pervade these materials.

Page Two.

We have worked to shorten sentences. We have tried to make parallel constructions, where possible. We have picked concrete words in favor of abstract words, where feasible. All of these steps, we think, simplify the written language.

Don Duffy, our art director, has specified serif type -- "a reader type," as he puts it -- and has made what we think is imaginative use of white space and sub-heads. He recommends a second color to highlight the critical text phrases. We believe that this layout, combined with the text, should make it possible for a reader, scanning these few key passages, to get the gist of the page in a short time.

I took the first try at a revised text. Philip B. Osborne, Digest Senior Editor, edited what I had done. Then Margaret Furniss, Research Associate, made her suggestions on our combined version. And Ed Thompson reviewed the finished version and made substantial additional contributions to the final product.

Hence, we have treated this just as an article might be treated -- condensing, checking, re-checking and re-checking -- in the interests of accuracy and maximum readability.

We hope that the above tells you what you wanted to know. We would like to add that all of us who had a hand in this enjoyed the task. We will be happy if we have helped to simplify what has to be one of the most daunting documents a citizen is obliged to read.

Yours sincerely,



Mr. Walter C. Herrmann, Jr.
Regional Manager
United States General Accounting Office
Room 865
Patrick V. McNamara Federal Building
477 Michigan Avenue
Detroit, Michigan 48226

cc: Edward T. Thompson
Donald H. Duffy
Philip B. Osborne
Margaret Furniss

(Proposed copy for "Form 1040 General Instructions," on Page 4 of 1977 Instructions for Form 1040, Internal Revenue Service)

How to Fill Out Your Tax Report

Who Must Report Income

Two things determine whether you must report your income:

1) How much you earned and 2) what "filing status" or category you fall into.

The rules below apply to everyone. They apply to U.S. citizens and to foreigners who live here. They apply to foreigners who are married to U.S. citizens and to all who are U.S. residents at the end of 1977. They also apply to people who file a "joint return" -- in other words, two married people reporting their income together. (Check page 6 under "Your Filing Status" to find out if you're better off sending in your tax report together with your spouse. Then look at page 8 for the 22 different kinds of income that you must report.)

Send in a tax report if you are:

	And your income is at least:
<p><i>including</i> ↗</p> <ul style="list-style-type: none"> ● Single (legally separated, divorced, or married living apart from your spouse for the entire year with dependent child) and: <ul style="list-style-type: none"> —You are under 65 \$2,950 —You are 65 or older 3,700 ● A person who can be claimed as a dependent on your parent's return, and have taxable dividends, interest, or other unearned income of \$750 or more 750 ● A qualifying widow(er) with dependent child and: <ul style="list-style-type: none"> —You are under 65 3,950 —You are 65 or older 4,700 ● Married filing jointly, living with your spouse at the end of 1977 (or at date of death of spouse), and: <ul style="list-style-type: none"> —Both of you are under 65 4,700 —One of you is 65 or older 5,450 —Both of you are 65 or older 6,200 ● Married filing separately or married but not living with your spouse at the end of 1977 750 ● A person entitled to exclude income from sources within U.S. possessions 750 ● Self-employed and your net earnings from self-employment were at least \$400. 	<p>(in 1977</p>

Even if you don't fall into one of the categories above, there are two reasons why you should send in a tax report anyway:

- 1) Part of your income was withheld.
- 2) You are eligible for the "earned-income credit" (see page 00). In

both cases, you may receive a refund. If you send in your report only for a refund, see Form 1040A Instructions (p. 00).

Where to Get Tax Forms

We mail the forms to anyone who sent in a tax report last year.

Many banks and Post Offices also have forms. If you can't find one, use the order blank on page 00 of this booklet.

How to Report Foreign Income

You lived outside the U.S. part of the year. For both U.S. citizens and resident aliens, this means you had a "dual-status" tax year. If you don't choose to file a joint report with your spouse, one of the next sections applies to you:

1) If you did live in the U.S. at year-end, fill out and send in Form 1040. Mark clearly at the top: "Dual-Status Report." Add a separate list, showing how much you earned and how much tax you paid while living in the U.S.

2) If you did not live in the U.S. at year-end, fill out and send in Form 1040NR. ("NR" stands for "non-resident.") Mark clearly at the top: "Dual-Status Report." And add a separate list, as above, showing how much you earned and how much tax you paid while living in the U.S.

Note: You must list every item subtracted from your income -- your deductions -- one by one. You may not use Tax Rate Schedule Z.

If you need to know more about "Dual-Status," send for our Publication 519, United States Tax Guide for Aliens.

You are a U.S. citizen and lived outside the U.S. the entire year.

You must report your foreign income. (For details, see "What Income to Report," on page 8.)

What To Do If a Family Tax-Payer Dies

If a person dies in 197X, or in 197Y before reporting his or her taxes, the surviving spouse or another personal representative must still send in the report for the person who died.

This personal representative may be either formally appointed or someone who has possession of the deceased's property.

The personal representative can send in a joint return for the deceased in two instances:

- 1) If the surviving spouse agrees.

2) If the surviving spouse did not get married again during the tax year.

The surviving spouse can send in a joint return alone if he or she did not get married during the tax year.

All the income of the person who died must be reported for the year in which the death occurred. All income of the surviving spouse must also be reported.

If you send in a joint return, write clearly at the top of the form:

"Reporting as Surviving Spouse." (For more information, see Publication 559, "Federal Tax Guide for Survivors and Personal Representatives.")

(Proposed copy for "Children and Other Dependents" section, pp. 7 & 8, "1977 Instructions for Preparing Form 1040A," Internal Revenue Service.)

Children and Others You Support

If you support your children and they live with you, list their names as "dependents" on line 5c. Write the total number of your children in the box at the end of that line.

On the next line (5d), list full names of any other people you support. Fill in the other facts about them, as well -- as shown in the headings to the right of 5d.

You can take an "exemption," meaning a subtraction from your income, for a dependent who was born or who died in 197X. Even a baby born alive, but who lived only a few minutes, qualifies as a dependent.

You can claim a person as a dependent if he or she meets all the following

tests:

1) He or she received less than \$750 income. This does not apply to a child under age 19. Nor does it apply to a full-time student who was enrolled for at least five months. (See "Students" section below for more information.)

2) He or she received half or more of his or her total support from you.

If you and your spouse file a joint return, this support can come from either one of you. (If you are divorced or separated, see "Children of Divorced or Separated Parents" on page 8.)

What is "Support?"

"Support" includes food, housing, clothing, medical and dental care and the cost of schooling. Include items such as an automobile or furniture if actually given to, or purchased by, the dependent for his or her sole (?) use or benefit.

Use the actual cost of these things when figuring support. For housing, list the fair rental value of the room(s) your dependents occupy.

"Support" does not include income and social security taxes, costs of life insurance or funeral expenses for a dead dependent.

When you figure support, list all the money your dependent received -- including social security payments, gifts and welfare benefits.

But you need not list payments from a scholarship that your child has won.

3) He or she did not report taxes jointly with a spouse.

4) He or she lived in the U.S., Canada or Mexico, or was an adopted child of a U.S. citizen living elsewhere.

5) He or she is related to you (or your spouse, if you are reporting taxes together). Your dependent is your...

Child (natural or legally adopted)	Stepsister
Stepchild	Stepmother
Mother	Stepfather
Father	Mother-in-Law
Grandparent	Father-in-Law
Brother	Brother-in-Law
Sister	Sister-in-Law
Grandchild	Daughter-in-Law
Stepbrother	Son-in-Law

and, if related by blood,

Uncle	Nephew
Aunt	Niece

Or, any other person who lived in your home as a member of your family (including a foster child) for the whole year.

Students You Support

You can list your child as a dependent if he or she is a full-time student and meets the tests in sections 2, 3 and 4 above. This holds true even if he or she received more than \$750 in income during the year.

To qualify as a student, your child must have been enrolled at a school or

college during any five months of 197X. Or, he or she must have taken a full-time, on-farm training course during any five months of 197X.

School or College: This category does not include on-the-job training courses or correspondence schools.

Farm Training: This includes only courses given by an educational organization or a government agency -- state, county or local.

(For more information on "Students You Support," ask for Publication 501, "Your... Dependents.")

Children of Divorced or Separated Parents

In most cases, the parent who has custody of the child takes the exemption, subtracting the cost of support from his or her income when figuring taxes. But there are two exceptions in which the parent who does not have the child may claim the exemption:

1) If that parent paid at least \$600 for the child's support during 197X -- and if a legal decree or written agreement specifies that one parent or the other may take the exemption.

2) If that parent paid \$1200 or more for the child's support during 197X, and the parent who has custody can't prove he or she paid more.

Note: A parent who has custody and has remarried may count the support the new spouse provides.

People Supported by Two or More Tax-Payers

If two or more tax-payers together pay more than half of another person's support, one of them can claim an exemption, if:

- 1) He or she paid at least 10% of the support, and
- 2) He or she sends in, with the tax report, a signed Form 2120 ("Multiple Support Declaration") from the other tax-payers who also paid at least 10%. This form says that these other tax-payers will not claim the person on their tax reports.



Oakland Schools

2100 Pontiac Lake Road, Pontiac, Michigan 48054 Phone 313-338-1011

Mr. Amos Romanoff
U.S. Office of General Accounting
Detroit, MI 48226

Dear Mr. Romanoff:

I hope that the enclosed is not too late for your efforts. I would be interested in being kept up-to-date on how your project goes. The move toward simplifying governmental documents seems to be on the increase. Michigan now has a bill comparable to the N.Y. Sullivan Law in the works, Senate Bill 1061. I hope that it moves along toward passage in the near future.

Many best wishes for your endeavor.

Sincerely,


Roy J. Butz, Ed. D.
Director
Reading and Language Center

FILING STATUS---- Which box to .

Read on and decide how you should file.

Are you?

Single (not married)

Divorced....or,

Legally separated

on December 31.....If so, check Single

Married...If you were married on December 31
check Married

Married:

Separate Returns:

You may each file separately, even if only one had income. If you do, check box 3. If you check box 3, you must both use the same ways of reporting your tax. If one lists all deductions, exemptions, etc., the other must too.

Be sure to write your husband's/wife's full name in the space after box 3. Also, write in their social security number in the space for it.

You each report only your own income and are responsible only for the tax to be paid on your return.

If, your husband/wife does not file you may count them as an exemption if all of the following are true:

- a. husband/wife does not file a return,
- b. had no income,
- c. was not someone else's dependent.

Only the person who had income should sign the return.

Joint Returns

In most cases married couples will pay less tax if they file jointly (together).

Husbands/wives can file jointly even if they did not live together for the full year. If you file jointly the tax due must be paid; if one of you does not pay the other may have to.

Married: (continued)**Joint Returns**

Portion of revision deleted by GAO.

Community Property States

Check with your local tax office to see if your state has a community property tax law. If it does, help yourself by getting Publication 555, "Community Property and the Federal Income Tax", from your local United States tax office.

Married Aliens

If you were a non-resident for all year, or for most, but a resident on the last day of the taxable year;
And, you were married to a citizen or resident of the United States;

You may choose to file a joint return if you both agree to be taxed on your joint total worldwide income.

For extra help, please get Publication 519, "United States Tax Guide for Aliens".

REMEMBER--

If you file a joint return you must report all:

- a. income
- b. exemptions
- c. deductions
- d. credits

for both husband and wife.

Also, both of you must sign the return.

THE UNIVERSITY OF MICHIGAN
LAW SCHOOL
HUTCHINS HALL
ANN ARBOR, MICHIGAN 48109

March 15, 1978

Mr. Walter C. Herrmann, Jr.
Regional Manager
United States General Accounting Office
Regional Office, Room 865
Patrick V. McNamara Building
477 Michigan Avenue
Detroit, Michigan 48226

Dear Mr. Herrmann:

Enclosed are the normalized version of provisions F, J, and O from the 1977 Instructions for Form 1040 that I promised to send along in response to your letter of January 6, 1978. All of the changes made in these provisions were aimed at making the logical structure of each provision more apparent and more uniform. The most reliable test of whether these changes make the provisions more understandable is, of course, an experiment with some sample readers. My own intuitions are that the logical structure of these three provisions was already quite apparent and uniform relative to some of the provisions of the Internal Revenue Code and other statutes that I have worked with. My hunch is that the problems that these provisions have given taxpayers in preparing their returns have been due to aspects that have not been dealt with in the provisions in deference to considerations for being brief. If you are interested in having such an experiment designed and conducted, I shall be happy to discuss with you the arrangements for doing so.

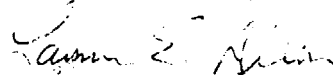
"Readability formulas" customarily measure the "reading level" of text by the number of syllables in the words used and the number of words in the sentences. Advocates claim that shorter sentences made up of shorter words are more understandable. I believe that the claim is only partially true. To the extent that sentences are short, it tends to lessen the probability that there will be inadvertently incorporated ambiguity in the within-sentence syntax of the sentences. But there is a trade-off. To the extent that there are more of the shorter sentences, it increases the likelihood of inadvertently incorporated ambiguity in the between-sentence syntax -- what I have called the 'logical structure' above and what others refer to as 'discourse syntax' or 'architecture'. Too often, it is this more global level syntax that is handled badly and creates problems for readers in understanding what is meant. It is the most-overlooked aspect of the current efforts to achieve writing in "plain English." It is the aspect that my "normalization" techniques attempt to deal with and emphasize. Whether such emphasis is deserved will only truly be found out when those engaged in such efforts to clarify legal drafting take up to the fact that "common

Mr. Walter C. Herrmann, Jr.
Page 2

sense" and intuition are not alone sufficient guides. The most powerful intellectual tool ever achieved by human effort is relevant for this endeavor; I refer to scientific method. When it begins to be used and relied upon rather than the special pleadings of those with an ax to grind, genuine progress in this difficult area will begin. Until then we are likely to retread in familiar cycles.

If there is anything further that I can do to be of assistance, please let me know, and I will do what I can.

Sincerely yours,



Layman E. Allen
Professor of Law &
Research Scientist

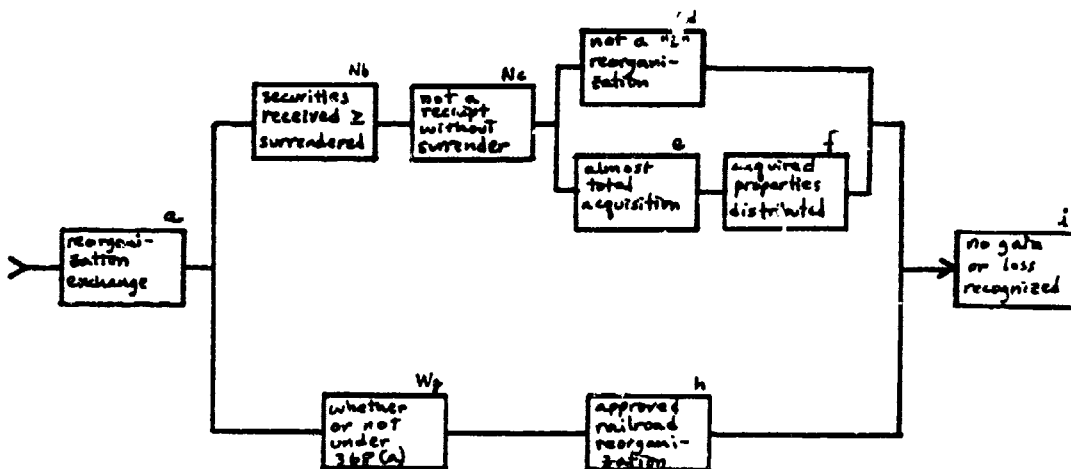
LEA:pac

Enclosure

GAO Note: The normalized system utilizes logic techniques to provide a better flow to legal communication. The system makes only minor changes in the language. Two sections of the Internal Revenue Code and parts of the instructions for Schedule D (Form 1040) expressed in normalized style follow.

**NORMALIZED VERSION OF SECTION 354
EXCHANGES OF STOCK AND SECURITIES IN CERTAIN REORGANIZATIONS.**

- IF
- a 1. stock or securities in a corporation a party to a reorganization are, in pursuance of the plan of reorganization, exchanged solely for stock or securities in such corporation or in another corporation a party to the reorganization, AND
 - Nb 2. A) 1. the principal amount of any such securities received does not exceed the principal amount of any such securities surrendered, AND
 - Nc 2. it is not so that both (a) some such securities are received and (b) no such securities are surrendered, AND
 - Nd 3. A) the plan of reorganization is not one within the meaning of section 368(a)(1)(D), OR
 - e B) 1. the corporation to which the assets are transferred acquires substantially all of the assets of the transferor of such assets, AND
 - f 2. the stock, securities, and other properties received by such transferor, as well as the other properties of such transferor, are distributed in pursuance of the plan of reorganization, OR
 - Wg B) 1. whether or not the plan of reorganization is one within the meaning of section 368(a), AND
 - h 2. the plan of reorganization is for a railroad and is approved by the Interstate Commerce Commission under section 77 of the Bankruptcy Act, or under section 20b of the Interstate Commerce Act, as being in the public interest,
- THEN
- i 3. no gain or loss shall be recognized.



Pathways: aNbNcNd->
 aNbNcef->
 ah->

**NORMALIZED VERSION OF SECTION 357
ASSUMPTION OF LIABILITY**

- IF
- a 1. the taxpayer receives property which would be permitted to be received under section 351, 361, 371, or 374 without the recognition of gain if it were the sole consideration, AND
- b 2. as part of the consideration, another party to the exchange assumes a liability of the taxpayer, or acquires from the taxpayer property subject to a liability,
- THEN
3. IF
- Ne A. it is not so that taking into consideration the nature of the liability and the circumstances in the light of which the arrangement for the assumption or acquisition was made, it appears that the principal purpose of the taxpayer with respect to the assumption or acquisition
- was a purpose to avoid Federal income tax on the exchange, or
 - was not a bona fide business purpose,
- THEN
- B. IF
- Nd 1. A) it is not so that to the exchange
- section 351 applies, or
 - section 361 applies by reason of a plan of reorganization within the meaning of section 368(a)(1)(D), OR
- Ne B) it is not so that the sum of the amount of the liabilities assumed, plus the amount of the liabilities to which the property is subject, exceeds the total of the adjusted basis of the property transferred pursuant to such exchange, OR
- f C) section 371 or 374 applies,
- THEN
- g 2. such assumption or acquisition shall not be treated as money or other property, and shall not prevent the exchange from being within the provisions of section 351, 361, 371, or 374, as the case may be, AND
- C. IF
- d 1. to the exchange
- section 351 applies, or
 - section 361 applies by reason of a plan of reorganization within the meaning of section 368(a)(1)(D), AND
- e 2. the sum of the amount of the liabilities assumed, plus the amount of the liabilities to which the property is subject, exceeds the total of the adjusted basis of the property transferred pursuant to such exchange, AND
- Nf 3. it is not so that section 371 or 374 applies,
- THEN
- h 4. such excess shall be considered as a gain from the sale or exchange of a capital asset or of property which is not a capital asset, as the case may be, AND
4. IF
- c A. taking into consideration the nature of the liability and the circumstances in the light of which the arrangement for the assumption or acquisition was made, it appears that the principal purpose of the taxpayer with respect to the assumption or acquisition
- was a purpose to avoid Federal income tax on the exchange, or
 - was not a bona fide business purpose,
- THEN
- i B. such assumption or acquisition (in the total amount of the liability assumed or acquired pursuant to such exchange) shall, for purposes of section 351, 361, 371, or 374 (as the case may be), be considered as money received by the taxpayer on the exchange, AND

(continued)

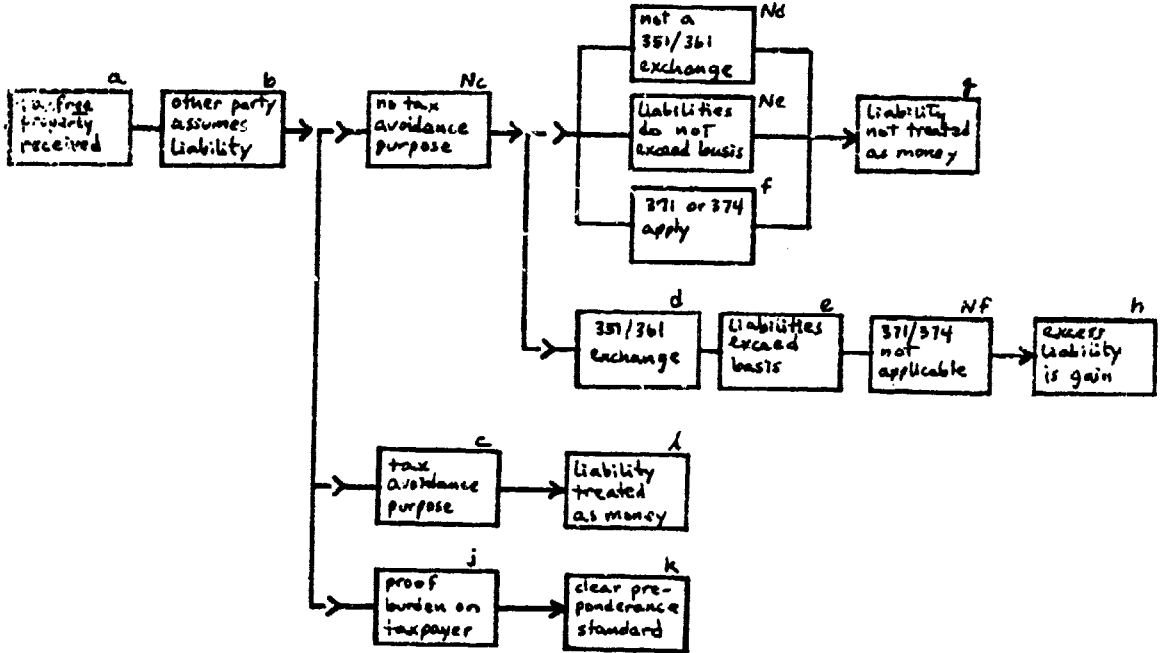
(continued)

5. IF

A. in a suit or proceeding the burden is on the taxpayer to prove such assumption or acquisition is not to be treated as money received by the taxpayer,

THEN

B. the burden shall not be considered as sustained unless the taxpayer sustains such burden by the clear preponderance of the evidence.

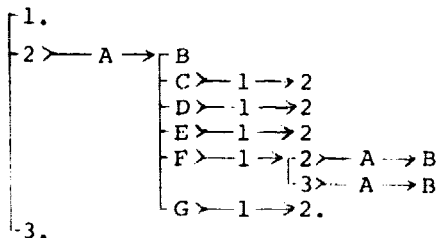


Pathways: abNcNd→
 abNcNe→
 abNcf→

abNcdeNf→
 abc→
 abj→

F. COST OR OTHER BASIS, AS ADJUSTED. [From the Schedule D instructions]

1. In general, this means cost (or other basis as explained in provision 2), less applicable depreciation (allowed or allowable), amortization, depletion, etc.
2. IF
 - A. you acquired the property by bequest, gift, tax-free exchange, involuntary conversion, or wash sale of stock, THEN
 - B. you may need to use a basis other than actual cash cost, AND
 - C. IF
 1. you do not use actual cash cost, THEN
 2. please attach an explanation of the basis used, AND
 - D. IF
 1. the property is acquired by gift before January 1, 1977, THEN
 2. the basis of that property generally is the basis of the property in the hands of the donor plus any gift taxes paid on the gift, AND
 - E. IF
 1. the property is acquired by gift after December 31, 1976, THEN
 2. only the gift tax attributable to the appreciation in value at the time of the gift is added to the basis of the property in the hands of the donor. (Please see section 1015), AND
 - F. IF
 1. the property is acquired from or passing from a decedent, THEN
 2. IF
 - A. the decedent died before January 1, 1977, THEN
 - B. the basis of that property will generally be the fair market value at the date of death, AND
 3. IF
 - A. the decedent died after December 31, 1976, THEN
 - B. the basis of that carryover basis property will generally be the decedent's basis immediately before his or her death, adjusted for certain items such as Federal and State estate taxes paid by the estate attributable to the appreciation in the property, (Please see section 1023), AND
 - G. IF
 1. a charitable deduction is allowed because of a sale of property to a charitable organization, THEN
 2. the adjusted basis for determining gain from the sale is an amount which is in the same ratio to the adjusted basis as the amount realized is to the fair market value of the property.
3. For additional information, please get Publication 551, Tax Information on Cost or Other Basis of Assets.



J. "TAXABLE INCOME, AS ADJUSTED". [From the Schedule D instructions]

1. A separate calculation may be needed to determine "taxable income, as adjusted."

2. IF

A. you know you have more than \$2,000 of tax table income (\$1,000 if married and filing a separate return) after excluding:

(1) gains or losses from the sales and exchanges of capital assets, and

(2) your zero bracket amount, that is

- (A) \$2,200 if filing as a single person or an unmarried head of household, or
- (B) \$3,200 if married filing jointly or a qualifying widow(er) with dependent child, or
- (C) \$1,600 if married filing separately,

THEN

B. you can skip this separate calculation -- it is not required, AND

C. you should enter on line 16b the smaller of:

- (1) the amount of the loss shown on line 16a or
- (2) \$2,000 (\$1,000 if married and filing a separate return).

3. IF

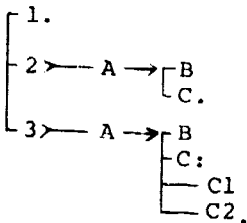
A. you do not meet the 2A requirement above,

THEN

B. you need to make a separate calculation to determine "taxable income, as adjusted," AND

C. you should do so as follows:

- 1. determine tax table income (Form 1040, line 34) without regard to gains or losses from sales or exchanges of capital assets, AND
- 2. reduce that amount (but not below zero) by your zero bracket amount of \$2,200, \$3,200, or \$1,600, depending on your filing status (see 2A above).



0. SALE OF PERSONAL RESIDENCE. [From the Schedule D instructions]

IF

1. you sell your principal residence,

THEN

2. IF

A) you purchase another principal residence and use it as such within 18 months before the sale or within 18 months after it, OR

B) you begin construction of a new principal residence before the sale or within 18 months after it and use it as such not later than two years after the sale,

THEN

C) tax on part or all of the gain from that sale must be deferred, AND

3. IF

A. you sold your home for \$35,000 or less on or after your 65th birthday, AND

B. you owned and used it as your principal residence for at least five of the last eight years,

THEN

C. any gain on the sale need not be included in income, AND

4. IF

A. the property was sold for more than \$35,000,

THEN

B. you may have to report part of the gain as income, AND

5. IF

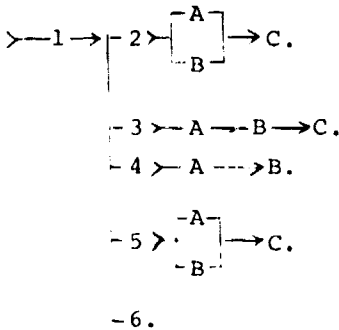
A) you purchase a qualified replacement residence, OR

B) you are 65 or older,

THEN

C) Form 2119 may be used to report sale of your personal residence, AND

6. please get Publication 523, Tax Information on Selling or Purchasing Your Home.



Scott, Foresman and Company 1900 East Lake Avenue Glenview, Illinois 60025 312/729-3000

Richard L. Smith
Senior Vice-President, Editorial

March 7, 1978

Mr. Walter C. Herrmann, Jr.
Regional Manager
United States General Accounting Office
477 Michigan Avenue
Detroit, MI 48226

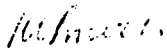
Dear Mr. Herrmann:

Enclosed you will find our first rough draft of the edited sections of the Federal Income Tax Form 1040.

We have (1) simplified a few of the terms and (2) tried to give the reader the instructions one small step at a time. We have discovered the one-step-at-a-time method makes the instructions longer but easier to understand. Most people can follow instructions if those instructions go from "A" to "B" to "C." In general, the instructions in the tax forms are so condensed, they go from "A" to "C."

Thank you for your understanding regarding the deadline for these materials and we hope the delay did not prove a hardship. We appreciate being invited to participate in this cooperative venture of government and business.

Sincerely,



Richard L. Smith

RLS:pw

encl

WERE YOU MARRIED AND LIVING APART FROM YOUR HUSBAND OR WIFE?

Some married persons can consider themselves as Single or as Unmarried Head of Household and file their income tax returns under those categories if they meet certain tests. If you can meet those tests you will have lower tax rates, you may be able to claim the earned income credit and you may be eligible for other benefits. Under these categories you do not have to separately list your deductions if your spouse lists his or her deductions. It is possible for you and your spouse ^(husband or wife) to file your income tax returns under these categories if both of you meet the required tests.

You can file your income tax return under the category Single and check box 1 if you meet all of the following tests.

- (1) You file your own income tax return.
- (2) You paid more than half the cost of keeping up your home in 1977.
- (3) Your spouse did not live with you at any time during 1977.
- (4) For more than six months of 1977, your home was the main home of your child or stepchild if you can claim that child or stepchild as a dependent.

If you meet tests (1) through (4) above you also may be eligible to check box 4 for Unmarried Head of Household. Please see the following instructions to see if you can consider yourself Unmarried Head of Household.

WERE YOU AN UNMARRIED HEAD OF HOUSEHOLD?

There are special tax rates for a person who can meet the tests and file their income tax returns under the category Unmarried Head of Household. These rates are more favorable than the rates for Single or Married Filing Separately.

You may use this filing status ONLY IF on December 31, 1977, you were ^{un}married (including certain married persons living apart) or legally separated and could meet one of the following tests:

- (1) You paid more than half the cost of keeping up a home which was the main home of your father or mother and you can claim your father or mother as a dependent. You do not have to live with your father or mother to claim them as dependents.
- (2) You paid more than half the cost of keeping up your home which, except for temporary absences for vacation, school, etc., was lived in all year by one of the following:
 - (a) Your unmarried child, grandchild, foster child or step-child even if you cannot claim that person as your dependent.
 - (b) Any other person listed in (5) (a) under LINES 6c and 6d--CHILDREN AND OTHER DEPENDENTS on page 8, whom you can claim as a dependent provided he or she is not your dependent under a multiple support agreement (this is where two or more taxpayers supported the relatives and no one gave more than half the support).

NOTE: If you are claiming the filing status of Unmarried Head of Household please write the person's name who makes it possible for you to claim this status in the space provided after box 4. If more than one person makes it possible for you to claim this status, you need write only one person's name.

If you were married to a nonresident alien, you may be able to claim the Unmarried Head of Household status under certain circumstances. Consult an IRS office for more information.

WERE YOU A QUALIFYING WIDOW OR WIDOWER WITH A DEPENDENT CHILD?

If so, you may still be able to use joint return tax rates for 1977 and use Tax Table B or Tax Rate Schedule Y.

If your husband or wife died during 1976 or 1975 and you did not remarry before the end of 1977, you can file a return for 1977 showing only your own income, exemptions, deductions, and credits, and you can figure your tax at joint return rates if you meet all of the following tests:

- (1) You could have filed a joint return with your spouse for the year your spouse died. Whether you actually filed jointly does not matter.
- (2) You had living with you (except for temporary absences for vacation and school) a child or stepchild you can claim as a dependent.
- (3) You paid over half the cost of keeping up the home for this child for the entire year.

Check box 5, QUALIFYING WIDOW(ER) WITH DEPENDENT CHILD, and give year of your spouse's death in the parentheses. Do not claim an exemption for your spouse. You can claim the exemption only for the year your spouse died.

If your spouse died in 1977 and you did not remarry, read WERE YOU MARRIED OR SINGLE? on page 6. If your spouse died before 1975, read WERE YOU AN UNMARRIED HEAD OF HOUSEHOLD? Otherwise you must file as Single.

Letter dated April 20, 1978, from the
Chairman, Tax Forms Subcommittee,
Federal Tax Division, American Institute
of Certified Public Accountants

AICPA

American Institute of Certified Public Accountants
1620 Eye Street, N.W., Washington, D.C. 20006 (202) 872-8190

April 20, 1978

Mr. Richard L. Fogel,
Associate Director,
U.S. General Accounting Office,
Room 1708,
1111 Constitution Avenue, N.W.,
Washington, D.C., 20224.

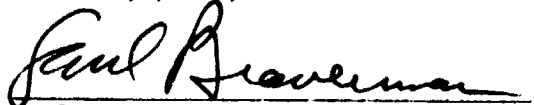
Dear Mr. Fogel:

Enclosed, at long last, is the report of the Tax Forms Subcommittee of the AICPA Federal Tax Division on its review of the draft of recommended revisions of certain parts of the Form 1040 instructions.

On March 23 and April 4, 1978, Anthony Assia of your office submitted several additional sections for our review. Now that April 17th is behind us, I am circulating these among our subcommittee members and will send you our comments as soon as possible.

I trust that our comments will be useful to you and the Joint Committee on Taxation.

Sincerely yours,



Saul Braverman
Chairman, Tax Forms Subcommittee
AICPA Federal Tax Division

SB:em

Enclosures

c-c with enclosures -
Mr. Arthur Dixon
Mr. Kenneth Thomas
Mr. Roger Miller
Members, Executive Committee
Members, Tax Forms Subcommittee

AICPA

American Institute of Certified Public Accountants

FEDERAL TAX DIVISION

of the

AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS

COMMENTS ON

RECOMMENDATIONS FOR SIMPLIFICATION OF

FORM 1040 INSTRUCTIONS

Submitted to the
United States General Accounting Office
April 19, 1978

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of the
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FEDERAL TAX DIVISION
of the
AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS

REVIEW OF GAO RECOMMENDATIONS FOR SIMPLIFICATION
OF FORM 1040 INSTRUCTIONS

GENERAL COMMENTS

1. The major "graphics" problem with the present format of the instructions would appear to be the division of each page into three columns. This arrangement seriously limits the use of highlighted tabular presentations that can be easily scanned and absorbed by the average taxpayer. We endorse the proposed revisions which eliminate the three columnar format.
2. It should be recognized, however, that the "spreading out" of the instructions will increase the number of pages (and the cost) required for printing the instructions.
3. The overall cost of printing more useful instructions can actually be reduced by not sending complete booklets of tax forms and instructions to those taxpayers that indicate they do not wish to receive them. Attached as Exhibit A is a copy of page 1 of California Form 540, Individual Income Tax Return. Please note the item just above the signature line which permits the taxpayer to designate that he does not need tax forms for next year. Also attached as Exhibit B is a copy of the related instructions which indicate that the computer-prepared label will be sent attached to a postcard. The tax return computer services are programed to X in this box unless requested not to. Obviously, the cost of a postcard is much less than a full booklet which ends up being thrown away either by the taxpayer or his tax return preparer.
4. Further printing costs can be saved by eliminating detailed instructions that have limited applicability and referring taxpayers to special IRS publications that deal with these subjects. For example, the present IRS instructions handle the subject of "U.S. Citizens Living Abroad" in this manner. On the other hand,

the present General Instructions go into great detail regarding the subjects of "Dual-Status Tax Year" and "Death of a Taxpayer", both of which apply to very few taxpayers. The GAO draft eliminates those details from the General Instructions and refers the taxpayer to the appropriate IRS special publications. This approach should be considered in the technical areas of the instructions as well.

5. In some cases, we feel the text of the present instructions is better than the proposed revisions, especially if full-page graphics were to be used.
6. The use of caps and underscoring in typed drafts will have to be converted to comparable printing type values. Perhaps a coded cross-reference from typing values to printed values can be developed.
7. Since different sections have been drafted by different persons, the style of writing - and more particularly graphics - varies considerably. This is a problem the IRS has experienced as well and would require a major overall editing effort to mitigate.
8. In general, the major problem with designing simplified tax forms and instructions is that the law itself is so complex. We therefore urge continued efforts to simplify the law as the best means of simplifying the forms and instructions.

SPECIFIC COMMENTS

A. WHO MUST FILE

1. Enclosed as "Exhibit C" is a revised format for this section which we believe to be simpler and clearer than the GAO proposed revision.
2. The use of two separate columns for "under 65" and "65 or older" enables the taxpayer to more readily focus on the threshold limitations applicable to him.
3. All basic classifications, as well as special situations, are clearly highlighted by using underscored caps (which probably would be presented as bold type when printed).

4. Also enclosed as "Exhibit D" is page 4 of IRS Publication 17, "Your Federal Income Tax" which deals with this subject in "flow chart" form. Although not quite as complex as the HEW organizational chart, it does appear to be too much of a "maze" to be considered an effective simplification tool, i.e., it would probably scare off the average taxpayer.

B. WHEN TO FILE

1. We agree that it is more logical to place this section before the section on "Where to Get Forms."
2. The revised wording and graphics are better.

C. WHERE TO GET FORMS

1. We believe the existing instructions are more informative than the proposed revision and can be readily understood by the average taxpayer.

D. HOW TO FILE

1. We see no need for this section since the "Guide for Preparing a Return" is prominently visible on the next page.

E. ROUNDING OFF

1. The proposed revision conveys the message in a simplified form and is, therefore, preferable.

F. RECORDS

1. Neither the present heading of "Record-keeping" nor the proposed revised heading of "Records" is properly descriptive of the subject. The heading might better read "Holding on to Records" or "Retaining Records."
2. It is recommended that this section be revised to read as follows:

"Records that support income, deductions or credits should be kept until the latest of the following dates:

- . Three years after the filing of the return
- . Three years after the due date of the return
- . Two years after the tax was paid

Records regarding property you own should be kept after you sell the property for the same period of time shown above. The information to be kept includes:

- . The date you acquired the property
- . How much it cost you
- . How much you spent for additions or improvements to the property

If you sold a previous residence and delayed reporting all or part of the gain on that sale by buying a new residence, you must keep all of the records on the previous residence for the same period of time as for the new residence.

You should also keep copies of your tax returns

Order a copy of Publication 552, Record-keeping, for more information."

G. TO CORRECT A RETURN

1. The heading might be improved by changing it to:

"HOW TO CORRECT A RETURN"

H. SPECIAL SITUATIONS

1. Grouping these items under this single heading should keep most taxpayers from wasting time looking at these items.
2. We agree with the deletion from the General Instructions of most of the details of the present instructions regarding "Death of a Taxpayer", since the situation has limited applicability.
3. The same comment applies to the proposed elimination of the details regarding "Dual Status", an even rarer circumstance.

I. IRS WILL FIGURE YOUR TAX

1. The only circumstance under which a taxpayer for whom the IRS will figure the tax will be filing Form 1040 rather than Form 1040A is one in which the taxpayer has pension and annuity income but does not itemize deductions or use a special method of computing his tax.
2. The IRS instructions are not clear as to whether the "tax figuring" service applies only to fully-taxable pension income or all pension income, including pensions that are partially excludable and therefore reportable on Schedule E.
3. One of the purposes of high "zero bracket amounts" and integrated tax tables was to make it easy for the 1040 filer to figure his tax himself.
4. The odds are very great that it would take a Form 1040 filer less time to figure his tax than to (a) figure out if he were eligible to have the IRS figure it for him and (b) make the special notations for Earned Income Credit and/or Credit for the Elderly.
5. It is therefore recommended that "Simplification" would be best served by eliminating the IRS tax-figuring service for 1040 filers. (In this connection, the IRS should have statistics on how many 1977 1040 filers requested the IRS to figure their tax.)
6. In the event the above recommendation is not acceptable to the GAO or IRS, there is enclosed as Exhibit E, a letter dated March 8, 1978 from John F. Edgar, Jr. setting forth recommendations for improvements to these instructions.

J. DEATH OF A TAXPAYER

1. We agree that the detailed instructions on this matter should be removed from the General Instructions.
2. The proposed revision appears to be technically correct and is easier to read and understand.

K. DUAL STATUS TAX YEAR

1. We agree that the detailed instructions on this matter should be removed from the General Instructions.
2. The proposed flow-chart is not too complex for the average taxpayer to follow, provided that it is preceded by brief instructions on how to use it by following the arrows.
3. It is quite likely that most taxpayers in this status will either be very sophisticated and seek assistance in preparing their returns or will be so unsophisticated as to not even recognize the problem even if they took the trouble to read the instructions, which is most unlikely.

L. CREDIT FOR THE ELDERLY

1. Schedules R and RP and the related instructions are illustrative of the need for simplification of the law in order to achieve simplification of the forms and instructions.
2. The proposed GAO version of the Schedule R instructions appear to be technically correct as far as they go. They certainly are much shorter and the revised graphics make them easier to follow.
3. However, they also are misleading in that they fail to point out that the taxpayer's credit is limited by the amount of social security received and by the level of adjusted gross income. These limitations should be charted in the revised instructions.

M. TO FIGURE YOUR CREDIT ON SCHEDULE R

1. The general instructions on the existing form itself ("Schedules R & RP - Credit for the Elderly") under the heading "Important" appear to be quite clear.
2. The graphics for the "Schedule R" portion of the form also appear to be quite good and the wording of the line items quite clear.

3. Both the present IRS instructions for "Figuring the Credit" and the proposed GAO revision take up a great deal of space merely repeating what is shown on the form, thus obscuring the portions of the instructions which are truly explanatory of items on the form itself.
4. It is recommended that the instructions in the booklet be limited to those items that add to or explain what is already on the form, such as:
 - a. "Single" filing status:

The "Single" category includes (i) an Unmarried Head of Household or (ii) a Qualifying Widow or Widower with a Dependent Child.
 - b. Line 2 a.

(The present IRS instructions appear to cover the subject well.)

N. EARNED INCOME

1. Although the GAO revision provides for a more detailed step-by-step qualification test procedure, it does not seem to be a sufficiently significant improvement over the present IRS instructions to warrant devoting two pages to the instructions and worksheet which now appear on a single page.
2. The present IRS instructions for this item are better than most of the instructions since they are spread out across the page rather than being squeezed into the typical three-columnar setup.
3. As to the GAO proposed revisions, we have the following suggestions:
 - a. The words "Line 57" should be inserted before the first sentence of the text or after the heading, e.g., EARNED INCOME CREDIT - Line 57.
 - b. In the first sentence, the words "receive a" should be inserted before the words "special payment".
 - c. On the second line of 1. of the Worksheet, change the words "Form W-2" to read "Form(s) W-2".



CALIFORNIA INDIVIDUAL INCOME TAX



ICE PREAMDRESSED LABEL HERE, if available. (Correct label if necessary)

Check Calendar Year One: Fiscal Year Ending 1978

NAME (If joint return, give first names and initials of both) LAST NAME PRESENT HOME ADDRESS (Number and street, including apartment number, or rural route) CITY, TOWN OR POST OFFICE, STATE AND ZIP CODE

FOR PRIVACY NOTIFICATION SEE PAGE 2 OF INSTRUCTIONS Your Social Security Number Spouse's Social Security Number OCCUPATION Years Spouse's

1 Single (Check Only One) 2 Married filing joint return (even if only one had income) 3 Separate return of married person... 4 Head of Household... 5 Widow(er) with dependent child... 6 Personal... 7 Dependents... 8 Blind... 9 Total exemption credits... Total Number x \$8

10 Wages, salaries, tips and other employee compensation 11 Interest 12 Dividends... 13 Income other than wages, dividends and interest... 14 Total (add lines 10 thru 13) 15 Adjustments to income... 16 Adjusted gross income (subtract line 15 from line 14)

If you DO NOT itemize deductions AND line 16 is under \$15,000 do not complete lines 17 and 18. Find Tax in Tax Table and enter on line 19. If you itemize deductions or line 16 is \$15,000 or more, complete lines 17 and 18.

17 Deductions: Itemized (from line 60) OR STANDARD (\$1,000 if line 1 or 3 checked... \$2,000 if line 2, 4 or 5 checked) 18 Taxable income (subtract line 17 from line 16) Compute tax from Tax Rate Schedule... 19 Tax from (check one) Tax Table Tax Rate Schedule Income Averaging Schedule... 20 Total exemption credits... 21 Tax liability... 22 Other credits... 23 Net tax liability... 24 Other taxes... 25 Total tax liability (add lines 23 and 24)

26 Renter's credit... 27 Excess California SDI tax withheld... 28 1977 California estimated tax payments... 29 Total California income tax withheld... 30 Total (add lines 26 thru 29)

31 If line 25 is larger than line 30, enter BALANCE DUE. If line 25 is equal to line 30, enter zero. Mail return to: FRANCHISE TAX BOARD SACRAMENTO, CA 95867 PAY IN FULL

32 If line 25 is smaller than line 30, enter amount OVERPAID 33 Amount of line 32 to be REFUNDED TO YOU, Allow at least six weeks. Mail return to: FRANCHISE TAX BOARD P.O. BOX 13-5-0 SACRAMENTO, CA 95813

34 Amount of line 32 to be credited on your 1978 ESTIMATED TAX 34 If you do not need State income tax forms and instructions mailed to you next year, See instructions, page 10, check here

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

Preparer's signature (other than taxpayer) Date Address (and Zip code)

SIGN Your signature Date HERE Spouse's signature (if filing a joint return) Your Telephone Number ()

EXHIBIT B

Filing a Return for the Renter's Credit Only

If you are not required to file a return but use you do not meet the filing requirements and you are filing a return only for the purpose of receiving the renter's credit, you should:

1. Use the preaddressed label for the name and social security number information. If the label is not available, please print your name(s), address and social security number(s) in the appropriate spaces on Form 540.
2. Complete applicable filing status, lines 1 through 5, Form 540.
3. Enter your adjusted gross income for the taxable year on line 16, Form 540.
4. Enter \$37 (Renter's Credit) on lines 26 and 33 and complete Part VI on page 2 of Form 540.
5. Sign your return. Both spouses must sign if filing a joint return.
6. Mail your return to Franchise Tax Board, P.O. Box 13-540, Sacramento, California 95813.

LINE 27—California State Disability Insurance (SDI)

If either you or your spouse worked for two or more employers in 1977 and had California State Disability Insurance (SDI) in excess of \$114 deducted from your earnings, you should claim the excess deduction as a credit against your income tax. If one employer withheld more than \$114 for SDI, you may not claim such excess as a credit. Contact your employer to obtain a refund. If you are filing a joint return, separate computations must be made for each spouse. If you are a married person filing a separate return, you must claim only the credit based on the computations involving your earning; you cannot claim any credit based on computations involving earnings other than your own. NOTE: To have this excess SDI credit applied to your account, the amount of SDI withheld must appear on your W-2. If it is not shown on your W-2, contact your employer and request a corrected form. You must attach your Form(s) W-2 or W-2P to the face of your return to receive this credit. To determine the excess deduction, complete the following steps:

	A. Taxpayer		B. Spouse	
	Dollars	Cents	Dollars	Cents
Step 1. Add all deductions for California SDI listed on W-2's as CA-SDI. Enter the total here				
Step 2. Subtract required contributions	114	00	114	00
Step 3. Overpayment				
Step 4. Enter total of columns A and B here and on page 1, line 27, Form 540.				
Total				

LINE 28—California Estimated Tax Payments

If you and your spouse filed a joint declaration of estimated tax for 1977 but do not file a joint income tax return for the year, the total estimated tax paid may be claimed on the separate return of either spouse, or divided between you and your spouse in agreed amounts.

If you and your spouse filed separate estimated tax declarations for 1977 and you elect to file a joint income tax return for the year, enter on this line the total of the amounts paid on the separate declarations. Follow the above instructions even if one spouse has died.

LINE 30—Total

Please be sure that:

1. The Renter's Credit is entered on line 26.
2. The excess SDI payments are entered on line 27.
3. The estimated tax payments are entered on line 28.
4. The tax withheld is entered on line 29.

LINE 34—Declaration of Estimated Tax

Every individual shall make a declaration of estimated tax for 1978 if: (1) the tax after credits is or will be \$100 or more (\$50 or more if married and filing separately); and (2) less than 80 percent of the 1977 tax was paid through withholding and less than 80 percent of the 1978 tax will be paid through withholding.

The filing dates for the declaration and installment payments of estimated tax are April 17, June 15, September 15, 1978, and January 15, 1979—the same as for the federal program.

Forms and instructions will be supplied by the Franchise Tax Board in time for you to meet this requirement. However, failure to receive these forms by mail will not excuse you from this obligation. For further details, contact any Franchise Tax Board office.

Withholding Problem—Anticipated Liability

Some married couples who file joint returns are experiencing problems in having their State tax withheld approximate their annual tax liability when both spouses are employed. The problem occurs usually as a result of each spouse claiming "married" status on the DE-4 or W-4 withholding statement without making adequate provision for the tax effect of combining two incomes. The typical result is additional tax due with the filing of the return and may result in the assessment of a penalty for underpayment of estimated tax. Taxpayers who find themselves in this situation should revise their withholding (DE-4 or W-4) to: (a) accurately estimate their combined income and revise their withholding statement(s) to provide for the total anticipated tax liability; or (b) make quarterly payments of estimated tax on the basis of the anticipated tax liability.

Tax Forms Prepared by Practitioner

If you have your Personal Income Tax return prepared by a tax practitioner and do not require income tax forms and instructions mailed to you next year, please check the box provided below line 34, page 1 (Form 540). Then instead of forms you will receive a card with your preaddressed label attached. This card should be given to your tax practitioner so the label can be put on your return. Use of the label insures an accurate identification of your account. Requesting that forms not be mailed eliminates waste and reduces cost of government.

THE PREPARATION OF TAX RETURNS FOR A FEE (The Tax Preparers Act)

TAXPAYER

The following consumer rights have been established for the taxpayer under the Tax Preparers Act. The tax preparer, charging a fee, must:

1. Post proof of registration.
2. Fully complete a return before obtaining your signature. (Don't sign blank form or forms with blank spaces to be filled in later.)
3. Furnish you a copy of any document requiring your signature.
4. Show on the tax return a permanent address where the preparer may be reached throughout the year.
5. Retain copies of returns for 6 years.
6. Be bonded for \$1,000 to cover any damages resulting from misstatement, misrepresentation, fraud, deceit or unlawful acts or omissions.

FEEES

You should obtain a fee estimate prior to authorizing the preparation of your tax returns.

TAX PREPARERS

Under a 1974 California Law (Business and Professions Code Section 9891.1 et seq) all tax preparers (except California CPA's and PA's, members of the California Bar, banks and trust companies, or persons authorized to practice before the Internal Revenue Service) must be registered with the State Department of Consumer Affairs. This law requires all tax preparers, who prepare state or federal income tax returns or state bank and corporation franchise tax returns for a fee, to file an application form, pay registration fees, and post a \$1,000 bond.

WHERE TO WRITE

For information or to file a complaint concerning a commercial preparer, contact: California Department of Consumer Affairs, Tax Preparer Program, 1021 O Street, Sacramento, CA 95814, phone (916) 322-3590.

WHO MUST FILE

You may not have to file a tax return this year. Whether or not you must file depends on how much income you had.

The amount of income you can make before you must file depends on many things, such as:

- 1) Whether or not you or your spouse is 65 or older
- 2) Whether you are single, married or a widow (widower) with a dependent child

Check the rules listed below, but you must file if your income was over \$6,200 (if you want to check some examples of income, see page).

RULES ON WHO MUST FILE

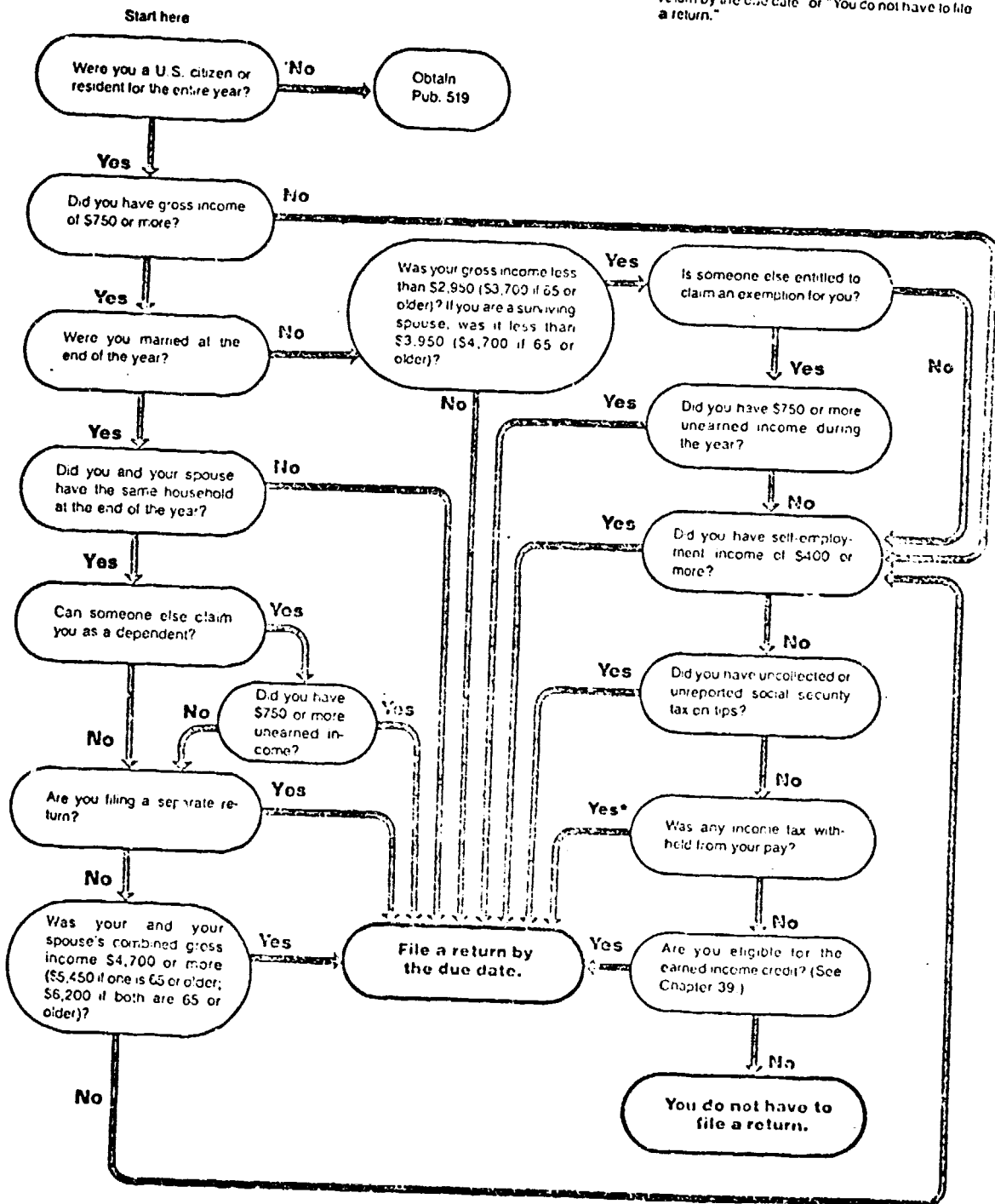
	<u>UNDER 65</u>	<u>65 OR OLDER</u>
<u>SINGLE</u> (This includes divorced and legally separated individuals. You may also be considered single if you are an abandoned spouse; see page).		
YOU MUST FILE IF YOUR INCOME IS AT LEAST	\$ 2,950	\$ 3,700
<u>MARRIED</u> (Only if you file a joint return and were living with your spouse at December 31, 1977. You can use this category if your spouse died during 1977).		
YOU MUST FILE IF YOUR INCOME IS AT LEAST	4,700	6,200
(ONE SPOUSE 65 OR OLDER)		5,450
<u>WIDOW OR WIDOWER</u> (If your spouse died during 1975 or 1976 and you had a dependent child, see page)		
YOU MUST FILE IF YOUR INCOME IS AT LEAST	3,950	4,700
<u>SPECIAL SITUATIONS</u>		
If you are married and file separately or if you were not living with your spouse on December 31, 1977, you must file if your income is at least	750	750
If you can exclude income from within U.S. possessions, you must file if your income is at least	750	750
If you can be claimed as a dependent on your parent's return, you must file if you had <u>unearned</u> (such as interest, dividends, etc.) ^{income} of at least	750	-----
<u>SELF-EMPLOYED</u>		
Even if your income is less than \$750, you must file if your net earnings from self-employment are at least	400	400
<u>EARNINGS FROM TIPS</u>		
If you had uncollected or unreported social security tax on tips, you <u>must</u> file.		
<u>NON-RESIDENTS OR ALIENS</u>		
The above rules may not apply if you were not a citizen or a resident for all of 1977. (See Page for further information.)		

PLEASE NOTE

Even if you don't have to file a return, you may want to. If you had tax taken out of your pay or are entitled to the Earned Income Credit, you should file in order to get your money. You probably can use the SHORT FORM 1040A. (To find out for sure, see page).

Who Must File

Follow the arrows to find out whether you must file a Federal income tax return. By answering "Yes" or "No" to each question in turn and following the appropriate arrow to the next box, you will be led easily to one of two final boxes: "File a return by the due date" or "You do not have to file a return."



*You are filing for a refund of tax.

WINDHAM, BRANNON, CASHIN & DUVAL

S.W. BRANNON, C.P.A.
 F.L. WINDHAM, C.P.A.
 S.A. CASHIN, JR., C.P.A.
 J.D. DUVAL, C.P.A.
 C.F. DOGGETT, C.P.A.
 J.F. EDGAR, JR., C.P.A.
 W.J. BOMAR, C.P.A.
 J.A. BELL, JR., C.P.A.
 S.R. RAY, C.P.A.
 J.E. TAUDY, C.P.A.
 E.L. WARE, C.P.A.

CERTIFIED PUBLIC ACCOUNTANTS
 615 PEACHTREE STREET, N.E., SUITE 900
 POST OFFICE BOX 54226
 ATLANTA, GEORGIA 30308
 (404) 875-5661

March 8, 1978

MEMBER OF THE
 AMERICAN GROUP OF C.P.A. FIRMS
 WITH OFFICES IN PRINCIPAL CITIES

Mr. Saul Braverman
 Braverman, Codron & Co.
 233 South Beverly Drive
 Beverly Hills, California 90212

Dear Saul:

In response to your letter of Feb. 22, 1978, the following are my recommendations and comments regarding "IRS will figure your tax":

1. Change the line number format on page 1 of the 1040 as follows:
 8. Wages, salaries ...
 9. Interest income ...
 - 10a. Dividends ...
 11. Fully taxable pensions and annuities ...

(If you have no other income, skip lines 12 through 20 and go to line 21)

2. Delete the second paragraph of the instructions and instead say:

You did not have any income amounts entered on lines 12 through 20 of Form 1040, page 1.

3. Delete the paragraph, "You must take the standard deduction, etc.," and instead say:

The IRS will compute your tax using the standard deduction. The IRS will not compute your tax by averaging your income (Schedule G) or subtract income earned outside the U. S. (Form 2555). If your income increased by more than \$3,000 over your average income from the last four years, you could save by computing your own tax on Schedule G.

The present wording implies some action required by the taxpayer.

WINDHAM, BRANNON, CASHIN & DUVAL, C.P.A.'s

Mr. Saul Braverman,
Braverman, Codron & Co.
March 8, 1978
Page Two

4. Delete 1. and say:

Fill in lines 1 through 11 and also line 21. Fill in lines 22 through 31. Be sure to fill in all the lines in the name and address area.

5. The first sentence in item #2, "Fill in lines 38 through 45" should be combined with the second sentence to read as follows:

Fill in lines 38 through 45 and lines 48 through 53 if they apply to you.

6. Item #3 concerning the taxpayer providing the husband's and wife's income separately, I suggest the following:

On a joint return, show the income of the husband and the income of the wife separately in the blue area between line 7 and line 8. Enter the combined income of both husband and wife in the white block number 8. This way the IRS will figure your taxes the way that will be the lowest.

The present language does not distinguish if the separated incomes should be shown in block 8 or in the blue area.

Best wishes.

Cordially,



John F. Edgar, Jr.

JFE:eh

cc: Members, Tax Forms Subcommittee
Mr. Roger L. Miller

PRINCIPAL IRS OFFICIALS RESPONSIBLE FOR
ADMINISTERING ACTIVITIES
DISCUSSED IN THIS REPORT

Tenure of office
From To

COMMISSIONER OF INTERNAL REVENUE:

Jerome Kurtz	May 1977	Present
William E. Williams (acting)	Feb. 1977	May 1977
Donald C. Alexander	May 1973	Feb. 1977
Raymond F. Harless (acting)	May 1973	May 1973
Johnnie M. Walters	Aug. 1971	Apr. 1973

ASSISTANT COMMISSIONER (TECHNICAL):

John L. Withers	Dec. 1975	Present
Lawrence B. Gibbs	Nov. 1973	Dec. 1975
Wade F. Hobbs, Jr. (acting)	July 1973	Nov. 1973
Peter P. Weidenbruch, Jr.	May 1972	July 1973

DIRECTOR, TAX FORMS AND PUBLICATIONS
DIVISION:

Roy J. Linger	Jan. 1972	Present
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CHAIRMAN, TAX FORMS COORDINATING
COMMITTEE:

Robert I. Brauer (acting)	June 1977	Present
Erwin H. Schuler	June 1973	June 1977
James Kinsel	Jan. 1967	June 1973

(268052)