

# **Measuring and Modeling the Federal Income Tax Compliance Burden of Small Businesses**

by

**Quantria Strategies, LLC,  
Cheverly, MD 20785**

for



Release Date: September 2011

*The statements, findings, conclusions, and recommendations found in this study are those of the authors and do not necessarily reflect the views of the Office of Advocacy, the United States Small Business Administration, or the United States government*

# CONTENTS

	<u>Page</u>
INTRODUCTION .....	1
I. EXECUTIVE SUMMARY .....	2
II. LITERATURE REVIEW .....	4
III. DESCRIPTION OF SMALL BUSINESSES IN THE UNITED STATES.....	7
IV. TAX FORMS FILED BY SMALL BUSINESSES.....	10
V. MEASURING COMPLIANCE BURDEN .....	14
VI. MONETIZATION OF THE BURDEN.....	19
VII. RESULTS .....	21
A. Total Small Business Compliance Burden .....	21
B. Compliance Burden by Type of Business Entity.....	22
C. Monetized Compliance Burden .....	30
VIII. CONCLUSIONS AND DIRECTIONS FOR FUTURE RESEARCH.....	32
REFERENCES .....	34
APPENDIX A: COMPLIANCE BURDEN HOURS FOR THE PRIMARY INCOME TAX RETURN AND SCHEDULES BY ENTITY TYPE.....	36
APPENDIX B: FEDERAL INCOME TAX PROVISIONS APPLICABLE TO SMALL BUSINESSES .....	39

## LIST OF TABLES

	<u>Page</u>
Table 1 – Number of Small Businesses by Entity Type, 2004 .....	8
Table 2 – Number of Small Businesses by Size of Business Receipts and Entity Type, 2004 ...	10
Table 3 – Compliance Burden Hours for the Primary Income Tax Return and Schedules by Entity Type.....	11
Table 4 – 2004 Average Hourly Wages, by Industry .....	20
Table 5 – Average Compliance Burden of Small Businesses Organized as Sole Proprietorships by Size of Business Receipts and Type of Activity .....	22
Table 6 – Average Compliance Burden of Small Partnerships by Business Receipts Size and Type of Activity .....	23
Table 7 – Average Compliance Burden of Small Businesses Organized as S Corporations, by Business Receipts Size and Type of Activity .....	24
Table 8 – Average Compliance Burden of Small Businesses Organized as C Corporations, by Business Receipts Size and Type of Activity .....	25
Table 9 – Average Compliance Burden of Small Businesses Organized as Sole Proprietorships, by Major Industry and Type of Activity .....	26
Table 10 – Average Compliance Burden of Small Businesses Organized as Partnerships, by Major Industry and Type of Activity .....	27
Table 11 – Average Compliance Burden of Small Businesses Organized as S Corporations, by Major Industry and Type of Activity .....	28
Table 12 – Average Compliance Burden of Small Businesses Organized as C Corporations, by Major Industry and Type of Activity .....	29
Table 13 – Average Monetized Compliance Burden of Small Businesses, by Type of Entity and Size of Receipts.....	30
Table 14 – Average Monetized Compliance Burden of Small Businesses, by Type of Entity and Major Industry .....	31

## LIST OF TABLES, Continued

	<u>Page</u>
Table 15 – Compliance Burden Hours for the Primary Income Tax Return and Schedules by Entity Type.....	36
Table 16 – 2004 Master List of Business Income Tax Forms and Schedules .....	39

## LIST OF GRAPHS

	<u>Page</u>
Graph 1 – Small Businesses Distributed by Entity Type, 2004.....	9

## INTRODUCTION

The federal tax compliance burden is defined as “the time and money that taxpayers expend each year to comply with federal tax rules and regulations.”<sup>1</sup> This compliance burden is measured by the number of hours that taxpayers must spend completing federal tax forms and schedules. These “burden hours” can be translated to a dollar amount by applying an appropriate “monetization factor” to the total number of hours a taxpayer needs to comply with the federal tax laws. The total cost of the federal tax system to taxpayers includes both the costs of the taxes paid, and the costs of complying with the requirements of the federal tax laws.

A Congressional Research Service report notes that the compliance burden of the federal tax system represents approximately 80 percent of the overall “paperwork burden” for the federal government.<sup>2</sup> This statistic is supported by the sheer volume of federal tax forms, schedules, instructions, and publications published by the Internal Revenue Service (IRS).

As part of a 2001 study of the complexity of the U.S. federal tax system, the Government Accountability Office found that for 1999, the IRS had 649 forms, schedules, and separate instructions, approximately 160 worksheets and about 340 publications with guidance on the federal tax system.<sup>3</sup> These forms and schedules contained approximately 16,000 line items.

In a paper prepared for the Small Business Administration in April 2009, we attempted to measure the average effective tax rate faced by small businesses under the federal income tax system.<sup>4</sup> That research helps to clarify the actual impact of federal income taxes on small businesses by type of entity (sole proprietorship, partnership, S corporation, and C corporation) and by size and industry within each entity type.

This paper expands on our prior research by examining the average hours small businesses spent to comply with the federal income tax system. This average compliance burden will be calculated by entity type and by size and industry within each entity type and a monetization factor will be applied to convert these average hours to an average dollar amount of compliance burden. Together these two papers will provide a more complete picture of the overall costs of the federal income tax system to small businesses by entity type, size, and industry.

---

<sup>1</sup> Donald DeLuca, Arnie Greenland, John Guyton, Sean Hennessey, and Audrey Kindlon, IBM Consulting Services, *Measuring the Tax Compliance Burden of Small Businesses, Recent Research on Tax Administration and Compliance*, Proceedings of the 2005 IRS Research Conference, June 7-8, 2005, 75.

<sup>2</sup> Curtis W. Copeland and Vanessa K. Burrows, *Paperwork Reduction Act (PRA): OMB and Agency Responsibilities and Burden Estimates*, Congressional Research Service, R40636, June 15, 2009.

<sup>3</sup> Letter to the Honorable William M. Thomas, Chairman and the Honorable Charles E. Grassley, Vice Chairman, Joint Committee on Taxation, General Accounting Office, GAO-01-301R, April 6, 2001.

<sup>4</sup> *Effective Federal Income Tax Rates Faced by Small Businesses in the United State*, Prepared by Quantria Strategies, LLC, for the Small Business Administration under contract number SBAHQ-07-Q-0012, April 2009.

# I. EXECUTIVE SUMMARY

Small businesses constitute an essential element of the U.S. economy. Approximately 30 million small businesses operate in the United States, making up the vast majority of employer firms.

A key question for all businesses, but one that is particularly important for small businesses, is the burden imposed in complying with federal paperwork requirements. A 2009 Congressional Research Service report notes that the burden of complying with the federal tax system represents approximately 80 percent of the overall “paperwork burden” for the federal government.

Much research has been done to try to quantify this so-called “compliance burden” of the federal tax system for individuals and for businesses in the United States. The compliance burden has been defined as the time and money that taxpayers expend each year to comply with federal tax rules and regulations. There are many challenges to this effort. Accurate data on compliance costs are hard to obtain. Businesses organize in a variety of forms (e.g., sole proprietorships, partnerships, limited liability companies, S corporations, and C corporations) and each type of business entity has different federal income tax filing requirements. Existing research has attempted to quantify the number of hours that taxpayers spend complying with federal tax laws, but those estimates of hours must then be translated to dollars to give a better picture of the overall impact of the federal tax system.

In this paper, we measure the federal income tax compliance burden of small businesses in the United States, adopting a forms-based approach. Using this approach we calculate the burden as the estimated time involved in completing each federal tax form times the number of taxpayers who actually complete the form. Our research is unique because it (1) attempts to isolate the impact of federal tax compliance on small businesses only, (2) includes a more comprehensive list of forms in our calculations, which allows us to capture the effects of compliance burden on an industry-by-industry basis, (3) extends prior research by providing burden estimates for all small business entities, including those businesses organized as sole proprietorships, and (4) provides estimates of the monetized burden for each of these types of entities to facilitate comparison with other measures of tax burden, such as taxes paid.

For purposes of this study, we have defined a small business as one with gross receipts of less than \$10 million.

From this research, we found the following:

- Overall, compliance burdens increase as the size of a small business increases. This makes sense, as the complexity of business operations is likely to be positively correlated with the size of business receipts.
- Compliance burdens vary significantly by industry. Some industries have more complicated federal tax form filing requirements and this is reflected in the overall compliance burden. In addition, because businesses in some industries are more likely to

be organized in a particular entity form, that also influences the overall compliance burden. Further, the results will be affected by how businesses in a particular industry are distributed, in terms of size, among the different entity types. For example, businesses in the finance, insurance, and real estate industry that are organized as C corporations are likely larger businesses, with more complex tax filing requirements, than businesses that are organized as partnerships.

- Compliance burdens are lowest for small businesses organized as sole proprietors. This makes sense because the basic filing requirement for sole proprietorships (Schedule C of Form 1040) is significantly less complex than the basic filing requirement for other types of entities. There is less disparity in the compliance burdens for the other entity types and these disparities are more likely explained by differences in entity size and industry filing requirements.

## II. LITERATURE REVIEW

Public finance economists judge the effectiveness of any tax system according to how it performs with respect to three, often conflicting objectives: equity, efficiency, and administrative simplicity. Equity considerations are concerned with the effect of the tax system on different segments of society; tax efficiency relates to the notion that any tax system should minimize economic distortions; and administrative simplicity means that a tax system should not impose an excessive burden on taxpayers.

For years, tax economists relied on simulation models to measure the equity and efficiency of the federal income tax system. Equity issues are frequently addressed through microsimulation models, where the models analyze changes in tax policy and their effect on certain income groups or other relevant taxpayer segments (e.g., married couples versus single taxpayers). Tax efficiency is often measured through the use of disaggregated macroeconomic models where the ultimate impact of a tax change is traced through the different sectors of the economy. Until recently, though, no comprehensive method was available to address questions related to how changes in tax policy and/or tax administration might affect the administrative burden imposed by the federal income tax system.

### *First Generation of Compliance Burden Estimates*

Prior to 1980, very little was known about the costs of complying with the federal income tax. Most available information was anecdotal and suggested a tax system that was becoming ever more complex and burdensome. In 1984, the IRS, in close collaboration with Arthur D. Little, Inc. (ADL), developed the first measurement tool to examine the burden imposed by complying with federal income tax laws (ADL; 1988). The methodology employed was “form-based,” meaning that compliance burden could be attached to the various forms that taxpayers filed and the sum of these measures creates a comprehensive picture of overall compliance burden.

Two features of this important work deserve mentioning. First, the burden estimates attached to each form were for an average, or representative taxpayer. Consequently, the overall burden distributed across taxpayers could not be directly ascertained. Second, while the ADL approach recognized that taxpayers expended both time and money in complying with the federal tax laws, all burden estimates were denominated in hours and estimates of the money spent by taxpayers were converted into hours.

Accurate data on compliance costs are hard to obtain. Two survey-based estimates of these costs include Blumenthal and Slemrod (1992) and Slemrod (1996), but these studies focus on the costs incurred by the largest businesses. Similarly, a more recent study, Slemrod and Venkatesh (2004), looks at large and medium-sized businesses. These studies suggest that compliance costs are regressive if measured as a fraction of taxes paid.

A more recent study by Moody et al. (2005) relies on a forms-based approach to estimate aggregate federal income tax compliance costs in the United States. The authors estimate that all



businesses paid approximately \$148 billion to comply with federal tax laws. Furthermore, the authors also indicate that these costs are regressive, measured as a fraction of income, at least for individual sole proprietors.

The Moody et al. (2005) study is particularly relevant to our analysis because the forms-based approach to measuring burden that underlies this analysis is conceptually similar to the methodology employed here. Further, it serves as a useful benchmark for comparison, despite the differences in scope of the two approaches.<sup>5</sup> Nevertheless, some important implications of that research can be stated:

- Of the approximately \$148 billion in total compliance costs incurred by businesses in the United States in 2005, the largest share, almost two-thirds, falls on corporations (both C corporations and S corporations).
- Businesses organized as sole proprietorships—the prototypical small business and the largest category of small businesses in the United States—incur approximately \$27 billion in income tax-related compliance costs. However, the bulk of these compliance costs are associated with filing Form 1040, the primary tax form used by individuals. Not all of the costs associated with filing Form 1040 may be business-related, however, especially if the business owner has significant income from other sources (e.g., capital gains).
- The authors begin with estimates of the time spent by taxpayers on each form and then “monetize” the hours by applying an average hourly wage rate to arrive at aggregate, dollar amounts of burden.<sup>6</sup>

### ***More Recent Approaches to Measuring Income Tax Compliance Costs***

In the late 1990s, the IRS recognized several limitations with the existing methodology for estimating taxpayer compliance burden. First, when the methodology was developed, most taxpayers prepared their income tax returns by themselves, without the use of software. The advent of tax preparation software is likely to dramatically alter the hourly estimates that underlie the ADL approach. Second, there has been a dramatic increase in the number of taxpayers who rely on paid professionals to prepare and submit their federal tax returns and this burden will be mostly in the form of dollars and not time. Third, the ADL approach cannot account for changes in compliance burden that result from new additions to the tax law. Fourth, the ADL model cannot provide distributional detail as to how compliance burden is distributed across taxpayer segments.

To address these limitations, in 1999, the IRS engaged PricewaterhouseCoopers (PwC) to assist in the development of a new generation of simulation models that are more robust and flexible than the ADL approach. The models were developed incrementally, and addressed the

---

<sup>5</sup> The results are not directly comparable, however, because the authors estimate burden for all business taxpayers, not just small businesses.

<sup>6</sup> Issues that arise when deciding the appropriate wage rate to use in this monetization will be addressed below.

compliance burden faced by taxpayer groups with increasingly complex tax filing requirements. The first model dealt with wage and investment (W&I) taxpayers; the second model completed the individual taxpayer segment by focusing on self-employed (SE) taxpayers; and the third model dealt with small business (SB) taxpayers.

Each of these models, and estimates of the compliance burden they produce, was described in a series of papers: Arena et al. (2002), DeLuca et al. (2003), DeLuca et al. (2005), Guyton et al. (2003), Guyton et al. (2004), Kindlon (2005), and DeLuca et al. (2007). The models rely on comprehensive taxpayer surveys that measure the time and money spent by individuals and businesses in fulfilling their federal income tax obligations. Operationally, the survey responses were used to estimate econometric relationships between compliance burden and tax filing characteristics. All of the models are microsimulation models; that is, they measure aggregate outcomes from estimating compliance burden at the taxpayer level, then sum the burden of all taxpayers. In this way, distributions of taxpayer burden can be readily ascertained.

The first estimates of aggregate income tax compliance burden for small businesses are contained in DeLuca, et al. (2007) and suggest:

- Compliance burden is regressive, as measured as a fraction of total receipts.
- Time and money burden are highly correlated.
- Burden varies significantly by entity type, size of business, industry, and number of employees.
- The largest monetary expenditure on federal tax compliance was for money paid to a paid professional, and the largest expenditure of time was for record keeping.
- The largest burden, measured by both time and money spent, was incurred by S corporations.
- Similarly, the finance, insurance and real estate industry incurred far more burden than any other industry, in both time and money categories.

The study did not cover the burden incurred by small businesses organized as sole proprietorships. Additionally, in order to make meaningful comparisons across taxpayer segments with respect to total compliance burden (i.e., time and money), a methodology for monetizing the hours spent needs to be employed.

### **III. DESCRIPTION OF SMALL BUSINESSES IN THE UNITED STATES**

Small businesses constitute an essential element of the U.S. economy. Approximately 30 million small businesses operate in the United States. Small businesses make up the vast majority of employer firms in the country. Collectively, these small businesses employ nearly 80 million workers or approximately half of all private sector employees.

A balanced mix of large and small businesses contributes to the health of the U.S. economy. While large businesses can achieve economies of scale, have broader reach, and are better able to diversify risks, small businesses benefit from greater flexibility, fewer bureaucratic controls, and the ability to provide unique products and services to a niche market. Because of these distinct attributes, some industries tend to be dominated by small businesses, while others are more likely to be dominated by large businesses.

#### ***Identifying Small Businesses***

The standard of what constitutes a small business for data collection purposes varies depending upon the use of the data. For example, there are different definitions of small businesses for federal contracting and federal tax purposes. There is no uniform and consistent definition; rather, different definitions may apply based on the (1) number of employees, (2) business receipts, or (3) business assets.

For research purposes, the SBA Office of Advocacy often defines a small business as an independent business that has fewer than 500 employees.

Specific small business size standards have been developed by the SBA for federal contracting purposes. These standards look at either business receipts, number of employees, or total assets. For example, many types of farming use a \$750,000 of gross receipts threshold to define a small business. Many manufacturing businesses have a size standard of less than 500 employees. Some financial institutions, like commercial banks, have an asset threshold (\$175 million).

For purposes of this study, we classify businesses as small if they have less than \$10 million of gross receipts.

#### ***Types of Small Business Entities in the United States<sup>7</sup>***

Business organization can take several forms—the choice of business form affects both the application of the federal income tax system as well as the application of state laws relating to the liability of business owners. Among the possible business forms that can be used are the following:

---

<sup>7</sup> The most recent publicly available data on the IRS Statistics of Income website generally is for 2005. However, the most recent publicly available micro (or firm or entity level) data is 2004. In order to be consistent with the micro data, the 2004 aggregate data are used in this section.

- **Sole Proprietorships.** A sole proprietor is an individual who runs an unincorporated business on his or her own.
- **Partnerships.** A partnership is a group of entities (e.g., individuals or businesses) that organize to do business together. Each partner contributes money, property, labor, or skill and shares in the profits of the business.
- **C Corporations.** C corporations are formed when prospective shareholders exchange money, property, or both in exchange for capital stock of the corporation. The return on a shareholder's investment in a C corporation is paid either through dividends or through the capital gains that are realized when the shareholder sells his or her stock in the corporation.
- **S Corporations.** S corporations are small business corporations that are afforded the benefits of limited liability like C corporations, but can elect to be treated as a pass-through entity for federal income tax purposes.
- **Limited Liability Company (LLC).** Limited liability companies are relatively new business structures that are authorized under state law. Owners of an LLC, like a corporation, have limited personal liability, but other features of an LLC function more like a partnership, such as the flow-through treatment of LLC owner income. Most LLCs are treated as partnerships for federal tax purposes, although a very small percentage of LLCs are treated as sole proprietorships.<sup>8</sup> However, for purposes of this study, LLCs are included in either the sole proprietorship or partnership calculations based on whether they file as a sole proprietorship or partnership for federal income tax purposes.

The most prevalent form of business in the United States is the sole proprietorship. In 2004, 20.1 million nonfarm sole proprietorships filed with the IRS, compared to 5.4 million C corporations, 3.5 million S corporations, and 2.5 million partnerships (including returns of LLCs) for a total of 31.4 million nonfarm business returns filed. Table 1 shows the breakdown of small businesses in the United States by entity type for 2004.

<b>Table 1 – Number of Small Businesses by Entity Type, 2004</b>	
[millions]	
<b>Entity Type</b>	<b>Number</b>
C Corporations	5.4
S Corporations	3.5
Partnerships (including LLCs)	2.5
Nonfarm Sole Proprietorships	20.1
<b>Total Small Businesses (excluding farms)</b>	<b>31.4</b>

<sup>8</sup> A single person LLC whose sole owner is an individual files an individual income tax return with Schedule C, E, or F. A single person LLC whose sole owner is a corporation includes its income and expenses on the corporation's tax return.

Graph 1 shows the percentage of small businesses distributed by entity type for 2004. Sole proprietorships account for 64 percent of all small businesses in the United States. While some sole proprietors can have sufficient numbers of employees or gross receipts to qualify as a large business, most sole proprietorships in the United States are small businesses. Of the total 31 million businesses, 20.1 million or 64 percent are sole proprietorships.

**Graph 1 Small Businesses Distributed by Entity Type, 2004**  
Source: IRS Statistics of Income

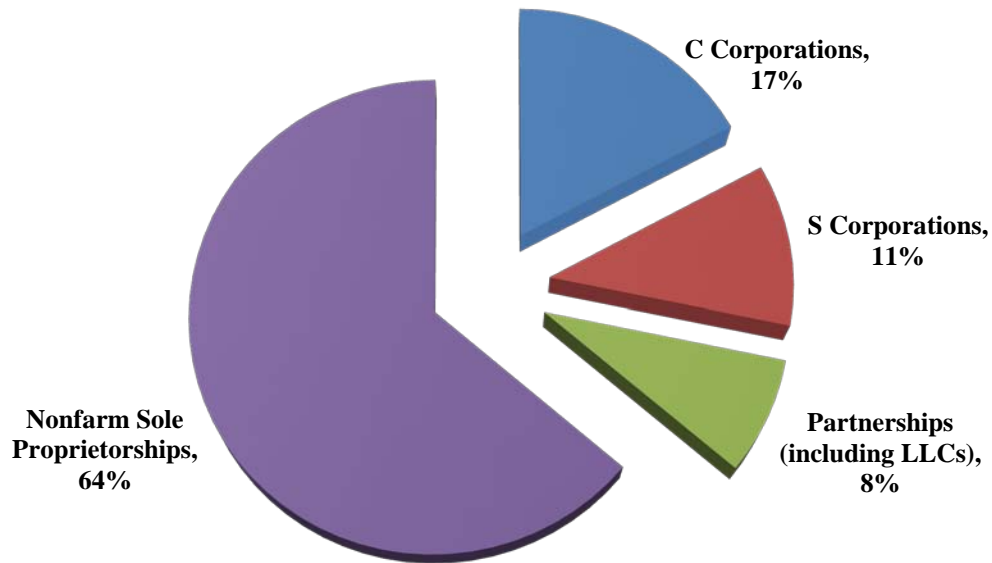


Table 2 below, shows the breakdown of the small business sector by size of receipts and entity type in the United States for 2004.

**Table 2 – Number of Small Businesses by Business Receipts Size and Entity Type, 2004  
(thousands)**

Gross Business Receipts	All Small Businesses	Corporations		Noncorporate Businesses	
		C Corporations	S Corporations	Partnerships	Nonfarm Sole Proprietorships
Less than \$25,000	16,954.0	1,317.0	852.4	1,366.4	13,418.2
\$25,000 to Under \$100,000	6,267.9	879.7	581.3	424.3	4,382.6
\$100,000 to Under \$250,000	3,352.2	971.8	648.5	283.3	1,448.6
\$250,000 to Under \$500,000	1,835.8	731.5	479.4	158.9	484
\$500,000 to Under \$1,000,000	1,352.5	634.5	389.9	120.6	207.5
\$1,000,000 to Under \$2,500,000	1,023.8	539.0	310.7	96.0	78.1
\$2,500,000 to Under \$5,000,000	398.2	222.7	120.1	39.7	15.7
\$5,000,000 to Under \$10,000,000	210	120.6	62.8	22.4	4.2
<b>Total:</b>	<b>31,412.3</b>	<b>5,416.9</b>	<b>3,445.0</b>	<b>2,511.6</b>	<b>20,038.8</b>

## IV. TAX FORMS FILED BY SMALL BUSINESSES

### Overview

Small businesses are required to file income tax returns with the federal government. The type of return filed and the nature of the income tax reporting burden varies depending upon the type, size, and income of the entity. As an example, the primary income tax return for C corporations is the Form 1120. However, some small C corporations may qualify to file a simpler income tax return—the Form 1120-A. Accompanying the income tax return are numerous other forms and schedules based upon the tax characteristics of the business. In addition to the underlying income tax return, these forms and schedules constitute the compliance burden that is measured in this paper. Because we are attempting to measure the compliance burden with respect to the federal income tax system, forms that relate to other forms of taxation, such as federal employment and excise taxes, are not discussed here.

As part of a 2001 study of the complexity of the U.S. federal tax system, the Government Accountability Office found that for 1999, the IRS had 649 forms, schedules, and separate instructions, approximately 160 worksheets and about 340 publications with guidance on the federal tax system.<sup>9</sup> These forms and schedules contained approximately 16,000 line items.

A review of the 2004 forms approved for businesses by the IRS identifies 155 separate forms or schedules that must be filed in connection with business returns. In the aggregate, these forms represent more than 3,800 hours of compliance burden or the equivalent of more than 158 days.

Not all businesses are required to file all of these business-related forms. The filing requirements for a business will increase as the complexity and size of the business increase. Thus, a small

<sup>9</sup> Letter to the Honorable William M. Thomas, Chairman, and the Honorable Charles E. Grassley, Vice Chairman, Joint Committee on Taxation, General Accounting Office, GAO-01-301R, April 6, 2001.

**Table 3 – Compliance Burden Hours for the Primary Income Tax Return  
and Schedules by Entity Type  
(2004 Compliance Burden Estimates)**

	<b>Form Name</b>	<b>Time for Recordkeeping (hours)</b>	<b>Time to Learn the Law (hours)</b>	<b>Time to Prepare the Return (hours)</b>	<b>Time to Mail the Return (hours)</b>	<b>Total Hours by Form Number (hours)</b>
<b>Sole Proprietors Total:</b>	<b>Form 1040, Schedule C</b>	6:04	1:51	2:19	0:41	10:55*
<b>Partnerships Total:</b>	<b>Form 1065 and Accompanying Schedules</b>	93:13	43:36	65:53	5:21	208:03
<b>S Corporations Total:</b>	<b>Form 1120-S and Accompanying Schedules</b>	162:29	45:33	79:10	8:18	295:20
<b>C Corporations Total:</b>	<b>Form 1120 and Accompanying Schedules (excluding Form 1120-A)</b>	178:51	57:53	97:43	9:54	314:15

\* Includes only the time burden for Schedule C.

sole proprietorship selling a single product or service is likely to have a much smaller compliance burden than a large multinational corporation. On the other hand, relative to the size of the business, the compliance burden of federal income tax forms may be larger for small businesses than for large businesses.

### **Income tax forms**

All small businesses generally are required to file an underlying federal income tax return if they have receipts or income for a year. Table 4 identifies the underlying income tax return (and associated compliance burden hours) that are required for each business entity type.<sup>10</sup> It should be noted that the income tax requirements for limited liability companies are not separately identified because these entities are treated, for federal income tax purposes, either as a sole proprietorship or as a partnership.

<sup>10</sup> Please refer to Appendix B for the details that support the entity totals in Table 4.

## **Sole Proprietors**

The basic form for sole proprietors is Form 1040, Schedule C, Profit or Loss from Business, which is a schedule to the underlying individual income tax return (Form 1040). The compliance burden with respect to the Form 1040 itself is not included in the estimates of the compliance burden for the sole proprietor form of business because that form reflects the compliance burden of the individual income tax return, which is not a business-related form. As Table 2 shows, the total compliance burden for Schedule C is relatively low, 10 hours and 55 minutes. This makes sense as the sole proprietor form of business is more likely to be used by a smaller and less complex business entity.

As shown above in Table 2, more than 67 percent of all nonfarm sole proprietors have receipts of less than \$25,000 per year. These sole proprietors are likely to have simple income tax returns relating to their business activity.

## **Partnerships**

It is important to remember that, as a pass-through entity, a partnership will file an income tax return, but the payment of any tax with respect to the partnership's activity is passed through to the individual partners of the partnership. The basic income tax return for partnerships is Form 1065. The compliance burden with respect to Form 1065 is 126 hours and 45 minutes. In addition, each partnership is required to complete a Schedule K-1 for each of its partners to show their respective shares of the partnership's income, deductions, credits, etc. The compliance burden with respect to the Schedule K-1 is 45 hours and 52 minutes. The aggregate compliance burden for Form 1065 and its accompanying schedules is 208 hours and 3 minutes.

While more than 50 percent of all partnerships had receipts of less than \$25,000 for 2004, the partnership form of business tends to be a more sophisticated and therefore more complicated form of business. The substantially larger compliance burden shown for the partnership income tax return reflects this complexity.

## **S Corporations**

S corporations are also organized as pass-through entities for federal income tax purposes. Like partnerships, S corporations file an income tax return, but the obligation to pay the federal income tax with respect to S corporation income is passed through to the S corporation's shareholders and paid on the shareholders' individual income tax return.

The basic income tax return for S corporations is Form 1120-S. The compliance burden with respect to the Form 1120-S for 2004 is 145 hours and 58 minutes. In addition to the Form 1120-S, S corporations are required to prepare Schedule K-1, which provides the S corporation shareholder's share of income, deductions, credits, etc. The compliance burden for Schedule K-1 to Form 1120-S is 42 hours and 2 minutes. The aggregate compliance burden for the Form 1120-S and accompanying schedules is 295 hours and 20 minutes.



## **C Corporations**

C corporations represent the most complex form of doing business, and this complexity is reflected on the C corporation business income tax return. As Table 2, above, shows, C corporations tend to be larger than other entity types, with only 24 percent of C corporations reporting receipts of less than \$25,000 for 2004.

The basic income tax return for C corporations is Form 1120. The compliance burden for Form 1120 is 163 hours and 46 minutes. When the accompanying schedules are included, the total compliance burden for the Form 1120 increases to 314 hours and 15 minutes.

There is a simplified income tax return (Form 1120-A) available to small C corporations. A C corporation can file a Form 1120-A if its gross receipts, total income, and total assets are all less than \$500,000. Approximately 68 percent of C corporations had gross receipts of less than \$500,000 for 2004. However, in 2002, the last year for which such data are publicly available, only about 175,000 of 2.0 million small C corporations filed Form 1120-A. The compliance burden for Form 1120-A is 114 hours and 56 minutes compared to 163 hours and 46 minutes for Form 1120.

## **Other Forms**

The compliance burden with respect to the basic income tax form for each entity type does not reflect the total compliance burden for small businesses. Small businesses of all types can be required to file a variety of other forms and schedules depending upon the nature of the business. As noted above, a review of IRS forms for 2004 found approximately 155 forms and schedules relating to business income tax returns. Of the 155 forms, approximately 80 forms could theoretically be filed in connection with a sole proprietorship return, approximately 105 for partnerships, approximately 100 for S corporations, and approximately 120 for C corporations. Appendix B contains a complete listing of the business-related income tax returns and forms for 2004 with corresponding compliance burden hours for each form.

## V. MEASURING COMPLIANCE BURDEN

In arriving at our estimates of small business income tax compliance burden, we adopt a forms-based approach similar to Moody et al. (2005), and calculate burden as the estimated time involved in completing each form times the number of taxpayers who actually complete the form. We extend and enhance this general approach in several directions. First, we include a more comprehensive set of tax forms in our calculations, and while some of these forms are filed by only a small fraction of small businesses, those businesses that are required to file the form can incur a disproportionately large amount of burden. Furthermore, the additional burden that is attached to certain obscure forms is often specific to a certain industry and how overall tax compliance burden is distributed across industries should be an important tax policy question.

Second, we extend current research by providing burden estimates for all small business entity types including those businesses organized as sole proprietorships, the largest group of small businesses in the United States.

Third, we complement past research by presenting burden estimates by major industry group and by business size. This allows us to examine the distribution of compliance burden across various taxpayer segments.

Fourth, we provide estimates of monetized burden for each of these taxpayer types to facilitate comparison with other measures of tax burden such as taxes paid.

### **Methodological Approach**

Because time burden estimates are attached to tax forms, our main analytical goal is to ascertain how many specific tax forms are filed by various taxpayer groups. We define our taxpayer groups by entity type, major industry, and size of business receipts. Our task is to estimate how many businesses in each entity and industry/size category file a particular form, and compliance burden is calculated as the number of small businesses filing a particular form times the burden associated with the form. Operationally, this means constructing an “incidence” matrix for each form, where the entries in each cell are the number of businesses that file a particular form.

We begin with a comprehensive list of tax forms and the associated burden attached to those forms. Small businesses in the United States are organized into four common entity types: (i) nonfarm sole proprietorships, (ii) partnerships, (iii) S corporations and (iv) C corporations. Certain tax forms are only required to be filed by certain entity types and we develop a comprehensive list of tax forms that is specific to each taxpayer entity. A list of these forms and their associated burden is included as Appendix B of this report.<sup>11</sup>

---

<sup>11</sup> Different business entities frequently file the same form. For example, a business required to depreciate equipment will usually file Form 4562 regardless of entity type.

Every business entity type files a “primary” tax form. C corporations file Form 1120; S corporations file Form 1120-S; partnerships file Form 1065; and non-farm sole proprietorships file Schedule C that is attached to Form 1040, the primary tax form filed by individuals.

A conceptual issue arises with respect to how to categorize the compliance burden associated with Form 1040 that is filed by sole proprietorships. In this study, we have taken the position that the burden associated with Form 1040 is “foundational” to the individual’s personal tax-filing obligation and not attributable to the business. We use the burden associated with Schedule C (Profit or Loss from a Trade or Business) to measure the burden of this entity type. Our reasoning is that some of the (Form 1040 and related forms) burden is not business-related. Examples would include the earned income tax credit, Schedule D (Capital Gains and Losses) and Form 2441 (Child and Dependent Care Credit).

Next, we construct detailed tabulations of the income, deductions and tax computations of the four main entity types by a common industry classification and size class. Because microdata are not publicly available for partnerships, S corporations and C corporations, we rely on published, aggregate tabulations compiled annually by the Statistics of Income (SOI) Division of the IRS. For S corporations and C corporations, we rely on the 2004 Corporation Source Book Complete Report File. For partnerships, we rely on similar annual tabulations by SOI. For sole proprietorships, we rely on microdata contained in the 2004 Individual Public Use File (PUF) to enhance aggregate data published as part of SOI’s Integrated Business Data (IBD).<sup>12</sup>

Next, we construct an incidence matrix for each form for each entity type by making the following assumptions about the incidence of forms:

1. Incidence rises with the size of business for most forms.
2. Incidence will (generally) vary across industries in proportion to the industry average of certain tax variables that are closely related to the requirement that a certain form be filed.

Assumption 1 can be verified by a casual examination of data sources where we can observe incidence (e.g., the 2004 PUF). Assumption 2 cannot be verified directly, but seems to be reasonable. For example, one would expect that industries with large depreciation deductions (e.g., manufacturing) would have a higher incidence of filing Form 4562.

Let  $N$  be the  $(I \times J)$  matrix of businesses for a particular entity type (e.g., S corporations). An element of  $N$  ( $n_{ij}$ ) represents the number of businesses in industry  $i$  and size class  $j$ . For each tax form filed by a particular entity, we construct the incidence matrix  $N^*$  ( $n^*_{ij}$ ) in the following way:

1. We assume a baseline incidence that increases with size. Initially, we assume that the incidence of a particular form is .30 for the smallest size (less than \$25,000 in business

---

<sup>12</sup> SOI’s Integrated Business Data is the only publicly available data source on nonfarm sole proprietorships that contains information tabulated by major industry group and business receipts size. No industry designation is included in the 2004 PUF for this group.

receipts) and .75 for the largest (\$5 million to \$10 million). This means that baseline incidence ( $n^*_{ij}$ ) is equal to the number of firms in each category ( $n_{ij}$ ) times the incidence factor. We modify this baseline incidence assumption in those cases where we have reliable information as to the overall incidence of a particular form. For example, for nonfarm sole proprietorships, we obtain incidence data by size of receipts from the PUF. We enforce the obvious constraint that  $n^*_{ij}$  is always less than or equal to  $n_{ij}$ .

2. Once baseline incidence is calculated, we adjust this figure by the ratio of each industry's overall average of a particular tax item to the average for all entity types. For example, when adjusting the baseline incidence for Form 4562, we compute the average depreciation claimed for each industry as a fraction of the overall average depreciation claimed for all firms.

As an example of how this methodology works in practice, assume that the average depreciation deduction for the manufacturing industry is twice the overall average deduction. Then the incidence for the smallest size would be .60 (.30 x 2). For the largest size class it would be 1.0 (since incidence can never exceed 1.0).

For certain forms, we apply an overall adjustment factor to account for those situations where external information indicates that the baseline incidence is either too high or too low across all size categories. In all cases, though, we adhere to the rule that  $n^*_{ij}$  can never be greater than  $n_{ij}$  (i.e., incidence can never be greater than 1.0).

### **Special Treatment for Sole Proprietorships**

For nonfarm sole proprietorships, we rely on line count data tabulated from the Individual Complete Report File (CRF) to estimate overall incidence of a particular form.<sup>13</sup> Overall incidence is calculated as the number of taxpayers filing a particular form divided by the total number of taxpayers. This incidence factor is then used to construct a preliminary incidence matrix. We then make adjustments 1 and 2 and scale the results to ensure that the overall incidence target is reached.

### **Special Treatment for C Corporations, S Corporations, and Partnerships**

Differences in the available data for C corporations necessitate certain additional steps and assumptions for the burden estimates. C and S corporation data are available in tabular form in the Corporate Source Book. The tables distribute firms by size of receipts as well as for the primary industrial classifications.

The most important difference in the available data is the lack of 'line counts.'<sup>14</sup> The corporation data provide the numbers of firms within each receipts size class. In addition, for each

---

<sup>13</sup> *2004 Estimated Data Line Counts: Individual Income Tax Returns*, Department of the Treasury, Internal Revenue Service, 2007. This publication reports the number of individual taxpayers that fill in a particular line item on various forms filed with the IRS. One can then infer the total number of forms filed with a high degree of accuracy.

<sup>14</sup> Sole proprietorship data are available through the public use individual income tax return data, a micro data file.

corporation class, the (dollar) amounts for specific income and tax items are available. However, for the income and tax items there are no corresponding return or line counts. Consequently, certain additional steps must be employed to estimate the numbers of firms filing specific tax forms. Estimating the numbers of firms that use a particular tax form follows generally the steps outlined for sole proprietorships, with certain modifications.

As with sole proprietorships, the assumptions regarding size and industry will influence the incidence matrix. The C corporation and partnership incidence matrix assumes the baseline incidence that increases with receipt size. The incidence of a particular form, excluding the Form 1120, is 15 percent for the smallest size (less than \$25,000 in business receipts) and 55 percent for the largest (\$5 to \$10 million).

Adjustments to the baseline incidence follow those made to sole proprietorships and are adjusted by the ratio of the industry average of specific tax items to the entity average. An example of this ratio is the average depreciation for C corporations in the manufacturing industry divided by the average depreciation for all C corporations.<sup>15</sup>

The ratio-adjusted incidence estimates for tax items pertaining to specific forms (e.g. depreciation) are applied to those specific forms. However, average incidence (which varies by industry and receipt size) is applied to those tax forms for which there is no specific ‘line count.’

In addition to this adjustment, certain forms are either assumed to have 100 or zero percent incidence depending upon the industry. For example, when the baseline incidence for C corporations in the insurance industry is adjusted, the incidence increases to 100 percent to reflect those forms that are mandatory for that industry (e.g. those forms claimed by all firms). However, the incidence becomes zero for those other industries.

Aside from the obvious situations where there are forms specific to an industry, an attempt was made to maintain a degree of independence when estimating the incidence rates. This was done to allow the data to suggest objectively the actual incidence rather than create incidence rates that reflect a particular individual’s subjectivity.

Finally, in order to assign compliance burdens with respect to the forms filed by partners in connection with the partnership, it was necessary to allocate partners by firm size and by industry. This was accomplished by utilizing data from the Statistics of Income for 2003 and 2004. Partners could be allocated to industries based on SOI data from 2004.<sup>16</sup> These data allowed comparisons of the total number of partnerships and partners by industry for 2003 and 2004. Within each industry, partners generally were assigned to receipts size classes by using the average number of partners per partnership within the industry. In the highest two size classes, it was assumed that the average number of partners per partnership was twice the overall industry average. A similar adjustment was made to the smallest size class to reduce the average number of partners per partnership.

---

<sup>15</sup> Only C corporations with receipts of less than \$10 million are included in this analysis.

<sup>16</sup> See Tim Wheeler and Nina Shumofsky, *Partnership Returns, 2004*, IRS Statistics of Income.

## VI. MONETIZATION OF THE BURDEN<sup>17</sup>

Because our study relies on IRS estimates of the time all taxpayers, including small businesses, are expected to spend filling out particular tax forms, the burden associated with tax compliance is measured in hours. To provide meaningful comparisons with respect to other tax measures—such as taxes paid or net income that are measured in dollars—a methodology is needed to translate, or “monetize” the hours spent complying with the tax laws into dollars.

When there was a directly observable market price for tax compliance time, we could use that in our calculation to monetize hourly burden. Such a market does exist for paid tax preparers. And because most small businesses rely on tax professionals to help prepare and submit their tax returns, this price would be a logical candidate for monetizing burden. But this approach would ignore the time spent by the small business owner for recordkeeping and complying with the tax law, and the owner may value his or her time quite differently than the paid professional. Alternatively, a small business may employ an in-house bookkeeper to help prepare the business tax returns and in that case, the after-tax wages paid to the bookkeeper would be the relevant measure of the tax burden incurred by the business.

For most small business owners, complying with the federal income tax laws involves a trade-off between time and dollars: the more valuable one’s time, the more willing one is to pay for the services of a paid professional. Because we don’t observe this valuation directly—and because the form-based burden figures relate to time only—we must infer the correct wage rate that the business owner implicitly uses to value his or her time in order to arrive at an accurate measure of burden. In theory, the value of the business owner’s time in preparing his or her tax return is the opportunity cost associated with the second best alternative, whether that is leisure, recreation, or managing the business. This opportunity cost is subjective and for small business owners it is likely to be high. The fact that most small business owners rely on the assistance of a paid tax professional is implicit evidence of this.

Our challenge in using form-based measures of taxpayer compliance burden, especially in the case of small businesses, is that we don’t really know how to allocate the time estimates appearing on forms among the person or persons most likely to be preparing the return: the business owner, an in-house employee, or a paid tax professional. In most small businesses, it is likely to be a composite of all three. In this study, we use the average hourly wage in each industry for 2004 as our monetization factor. This choice will likely understate the true compliance burden to the extent that a small business owner prepares his or her own taxes. Alternatively, and to the extent most of the tax preparation is done by an outside paid professional, this assumption may understate the true compliance burden for certain industries.

Table 4 contains the average hourly wage by industry that was employed in monetizing compliance burden for this study.

---

<sup>17</sup> This discussion is drawn, in part, from “Revealed and Stated Preference Estimation of the Value of Time Spent for Tax Compliance,” Trudy Ann Cameron, Department of Economics, UCLA, 1999. The paper was commissioned by the IRS in the early stages of their efforts to model and measure compliance burden.

**Table 4 – 2004 Average Hourly Wages by Industry (dollars)**

<b>Industry</b>	<b>Average Hourly Wages</b>
Agriculture	15.69
Mining	18.08
Utilities	35.61
Construction	19.22
Manufacturing	16.15
Wholesale & Retail Trade	14.87
Transportation & Warehousing	16.52
Information	21.42
Finance, Insurance, & Real Estate	17.52
Professional, Scientific, & Technical Services	17.49
Other Services	13.98

*Source: BLS Survey Data of Average Hourly Industry Wages, 2004.*

## VII. RESULTS

### ***A. Total Small Business Compliance Burden***

From our estimates of federal income tax forms filed in 2004, small businesses in the United States spent more than 5.5 billion hours fulfilling their income tax obligations. While much of this burden was borne directly by small business owners, a large part was borne indirectly through the use of paid professional tax preparers. These hidden costs of complying with our federal income tax system do not show up on the balance sheets of small businesses.

Our analysis shows a large variation in compliance burden with respect to the organizational structure that small businesses choose to operate. The most common form of small business in the United States, nonfarm sole proprietorships, had the smallest average hourly burden—about 32 hours per firm. In contrast, those businesses organized as S corporations had an average burden that was almost ten times as much. Small businesses organized as C corporations incurred an average compliance burden of about 451 hours while those businesses organized as partnerships incurred the highest average burden, about 550 hours, once the combined burden of all the partners was factored in.

We identify several trends in small business compliance burden that are consistent with prior research in this area. Our finding that average compliance burden generally tends to increase with the size of the business suggests that there is a significant component of federal income tax compliance costs that are not fixed and that rise as the business matures and grows. We also find a significant variation in average compliance costs across major industrial sectors within business entity types. This result, verified by other researchers, indicates that certain industries may bear a disproportionately high compliance burden. Identifying these pockets of burden could help policymakers and tax administrators lessen the overall compliance burden of our federal income tax system while increasing economic efficiency.

In order to provide a different perspective on the magnitude of these compliance costs, we translate, or “monetize” our burden estimates into dollars so direct comparisons can be made with other business metrics. Our results are strikingly similar and show that average (monetized) compliance burden ranges from about a \$525 per year for nonfarm sole proprietorships to almost \$10,000 per year for C corporations.

We break down our estimates of average compliance burden by the type of activity that taxpayers engage in when preparing and submitting their federal income tax return. Not surprisingly, and confirmed by prior researchers, recordkeeping is the single most burdensome part of complying with the tax laws.



## B. Compliance Burden by Type of Business Entity

In general, the compliance burden of small businesses increases as the business receipts size increases. This increasing compliance burden reflects the increasing complexity of business income tax returns as the size of the business increases. However, the compliance burden varies considerably depending upon the type of business entity used.

Table 5 below, shows the average compliance burden of small businesses organized as sole proprietorship by size of business receipts for 2004. Sole proprietorships are the most common form of small business in the United States. The figures show that these business entities are dominated by a large number of relatively small companies: over half of nonfarm sole proprietorships report receipts of less than \$25,000 per year. On average, these companies spend about one week per year complying with the federal income tax system, and the average burden, generally, rises with the size of the business.

Compared to other business entity types, non-farm sole proprietorships incur the least amount of compliance burden on average. This is due, principally, to the relatively simple structure of the business and the dominance of so many relatively small firms. The primary tax form filed by this group is Schedule C (Income from a Trade Or Business) and is filed along with the taxpayer's individual income tax return (Form 1040). Compared to other business entity types, this primary form generates the least amount of compliance burden: about 11 hours. Other researchers have included the burden associated with Form 1040 for these business owners, but as we explained above, we do not include this burden in our calculations. Our figures also suggest that other tax forms filed in addition to the primary form account for almost two-thirds of the average compliance burden for this group.

**Table 5 – Average Compliance Burden of Small Businesses Organized as Sole Proprietorships by Size of Business Receipts and Type of Activity**  
(Average hours, details may not add due to rounding)

Business Receipts Size	Number of Small Businesses (thousands)	Compliance Activity				Total
		Recordkeeping	Learning about the law or the form	Preparing the form	Copying, assembling, sending form to IRS	
Under \$25,000	13,418.2	20	4	5	1	30
\$25,000 to Under \$100,000	4,382.6	25	5	6	1	36
\$100,000 to Under \$250,000	1,448.6	28	5	6	1	40
\$250,000 to Under \$500,000	484	28	5	6	1	40
\$500,000 to Under \$1,000,000	207.5	21	5	4	1	30
\$1,000,000 to Under \$2,500,000	78.1	32	6	7	1	46
\$2,500,000 to Under \$5,000,000	15.7	35	6	7	1	49
\$5,000,000 to Under \$10,000,000	4.2	22	4	5	1	32
Average, All Small Sole Proprietors	20,038.8	22	4	5	1	32

Source: Authors' estimates based on data from the Internal Revenue Service, *Statistics of Income*

As shown in Table 6 below, the compliance burden for small partnerships rises with the size of the business. The greater the receipts of a small partnership, the more forms the partnership is likely required to file.

In addition, larger partnerships tend to have, on average, more partners. Because we measure the compliance burden of a partnership to include the compliance burden that is passed through from the partnership to the individual partners, the average compliance burden will also increase as the average number of partners per partnership increases.

For 2004, the average partnership had 6.12 partners. Detailed data are not available to calculate the average number of partners by the size of business receipts. For purposes of this analysis, we assumed that the largest partnerships would have twice the average number of partners as the overall average for all partnerships and that the smallest partnerships would have less than the average number of partners.

The weighted average compliance burden is 550 hours. Because more than half of all small partnerships have receipts of less than \$25,000, this average compliance burden is closer to the compliance burden of the smallest firms.

**Table 6 – Average Compliance Burden of Small Partnerships  
by Business Receipts Size and Type of Activity**  
*(Average hours, details may not add due to rounding)*

Receipts Size	Number of Small Businesses (thousands)	Compliance Activity				Total
		Recordkeeping	Learning about the law or the form	Preparing the form	Copying, assembling, sending form to IRS	
Less than \$25,000	1,366.4	276	87	118	9	490
\$25,000 to Under \$100,000	424.3	294	97	130	10	531
\$100,000 to Under \$250,000	283.3	344	111	146	11	611
\$250,000 to Under \$500,000	158.9	388	112	151	10	661
\$500,000 to Under \$1 Million	120.6	444	138	178	13	772
\$1 Million to Under \$2.5 Million	96.0	494	151	194	15	853
\$2.5 Million to Under \$5 Million	39.7	637	210	260	26	1,134
\$5 Million to Under \$10 Million	22.4	746	244	299	30	1,319
Weighted Average, All Small Partnerships	2,511.6	314	100	132	10	550

*Source: Authors' estimates based on data from the Internal Revenue Service, Statistics of Income*

Table 7 shows, similarly, that the average compliance burden of S corporations increases as the size of business receipts increases. On average, S corporations face approximately 314 hours of

compliance burden per year. More than half of the compliance burden of S corporations is attributable to recordkeeping requirements.

Much like partnerships, the pass-through nature of an S corporation requires significantly more paperwork and documentation that needs to be passed along to shareholders so they can complete their individual income tax return (Form 1040). S corporation income (and losses) is reported on Schedule E (Supplemental Income and Loss) that is filed with the taxpayer's individual income tax return. In our analysis of S corporation compliance burden, we do not include the burden associated with Schedule E. Including this burden would increase the estimated income tax burden of small businesses organized as S corporations.

<b>Table 7 – Average Compliance Burden of Small Businesses Organized as S Corporations, by Business Receipts Size and Type of Activity</b> <i>(Average hours, details may not add due to rounding)</i>						
Business Receipts Size	Number of Small Businesses	Compliance Activity				Total
		Record-keeping	Learning about the law or the form	Preparing the form	Copying, assembling, sending form to IRS	
Under \$25,000	852,425	156	45	74	8	283
\$25,000 to Under \$100,000	581,303	166	46	75	8	294
\$100,000 to Under \$250,000	648,461	177	47	77	8	309
\$250,000 to Under \$500,000	479,408	188	49	80	8	325
\$500,000 to Under \$1,000,000	389,850	200	51	83	8	342
\$1,000,000 to Under \$2,500,000	310,678	209	53	85	8	354
\$2,500,000 to Under \$5,000,000	120,081	220	55	88	8	371
\$5,000,000 to Under \$10,000,000	62,759	231	57	90	8	386
Total, All Taxpayers	3,444,965	179	48	78	8	314

*Source: Authors' estimates based on data from the Internal Revenue Service, Statistics of Income*

The average compliance burden associated with C corporations is generally larger than that for other entities. Table 3 above provides a sense of the greater burden associated with the basic 1120 and related forms. In addition, there are a significant number of additional forms and schedules that relate to both business activities as well as the industry designation. For example, C corporations operating as insurance companies have such additional schedules as 1120-L and 1120-PC for life and property and casualty lines of business.<sup>18</sup> These schedules add an additional 60 hours to the estimated time burden associated with filing a C corporation return.

<sup>18</sup> Refer to Appendix B for the complete listing of federal income tax forms for C corporations.

As shown in Table 8 below, the compliance burden for C corporations increases as the size of the business increases. The greater the receipts of a C corporation, the more forms the business is likely required to file.

In addition, larger corporations tend to have, on average, more employees. Consequently, this increases the information and tax reporting requirements for C corporations. This is reflected in the time burden for the largest C corporations. However, the large number of C corporations with receipts of less than \$25,000 tends to dampen the average tax burden for all C corporations.

<b>Table 8 – Average Compliance Burden of Small Businesses Organized as C Corporations, by Business Receipts Size and Type of Activity</b> <i>(Average hours, details may not add due to rounding)</i>						
<b>Receipts Size</b>	<b>Number of Small Businesses</b>	<b>Compliance Activity</b>				<b>Total</b>
		<b>Recordkeeping</b>	<b>Learning about the law or the form</b>	<b>Preparing the form</b>	<b>Copying, assembling, sending form to IRS</b>	
Less than \$25,000	1,316,997	214	54	87	8	355
\$25,000 to Under \$100,000	879,726	251	64	102	9	417
\$100,000 to Under \$250,000	971,774	267	68	109	10	443
\$250,000 to Under \$500,000	731,529	284	73	116	10	469
\$500,000 to Under \$1,000,000	634,534	309	80	126	11	511
\$1,000,000 to Under \$2,500,000	538,998	332	86	136	12	549
\$2,500,000 to Under \$5,000,000	222,704	365	95	150	12	603
\$5,000,000 to Under \$10,000,000	120,639	406	106	167	14	671
<b>Total, All Taxpayers</b>	<b>5,416,901</b>	<b>272</b>	<b>70</b>	<b>111</b>	<b>10</b>	<b>451</b>
<i>Source: Authors' estimates based on data from the Internal Revenue Service, Statistics of Income</i>						

Table 9 shows how the average compliance burden incurred by sole proprietorships varies across major industry groups. Agriculture and transportation have the largest compliance burden on average with about 69 and 64 hours per year, respectively. The average compliance burden of 32 hours is influenced heavily by the other services industry, as the average burden in most other industries is significantly higher.

Not surprisingly, recordkeeping is the most burdensome activity across all industry groups.

**Table 9 – Average Compliance Burden of Small Businesses Organized as Sole Proprietorships  
by Major Industry and Type of Activity**  
(Average hours, details may not add due to rounding)

Major Industry	Number of Small Businesses (thousands)	Compliance Activity				Total
		Recordkeeping	Learning about the law or the form	Preparing the form	Copying, assembling, sending form to IRS	
Agriculture	281.9	51	8	9	1	69
Mining	125.9	41	7	8	1	56
Utilities	11.8	27	5	6	1	38
Construction	2,586.6	28	5	6	1	40
Manufacturing	351.4	29	5	6	1	41
Wholesale & Retail Trade	2,749.6	17	3	4	1	25
Transportation & Warehousing	982.8	47	7	9	1	64
Information	295.0	18	4	4	1	27
Finance, Insurance & Real Estate	1,851.5	27	5	6	1	39
Professional, Scientific & Technical Services	2,950.9	18	4	5	1	27
Other Services	7,851.6	18	4	5	1	27
Average, All Sole Proprietorships	20,039.0	22	4	5	1	32

*Source: Authors' estimates based on data from the Internal Revenue Service, Statistics of Income*

Table 10, below, shows the average compliance burden for small partnerships by major industry and type of compliance activity. The largest average compliance burden in each industry is attributable to recordkeeping requirements, while the lowest average burden is attributable to copying, assembling, and sending forms to the IRS.

This compliance burden includes not only the burden associated with the filing of the partnership income tax return and associated forms, but also includes the compliance burden with respect to forms that individual partners are required to file with their individual income tax return. Because of the nature of partnerships as pass-through entities, this approach allows the total compliance burden to reflect the compliance burden of the partnership that is passed through to the individual partners. For example, individual partners of a partnership are required to file Schedule E (Supplemental Income and Loss) to reflect certain items of income and expense that are passed through from the partnership to the partners. Among other items, partners of a partnership are required to reflect on their individual income tax returns the following items of the partnership: (1) ordinary income (loss) from trade or business activities; (2) net income (loss) from rental real estate activities; (3) net income (loss) from other rental activities; (4) gains and losses from sales or exchanges of capital assets; (5) gains and losses from sales or exchanges of property described in section 1231; (6) charitable contributions; and (7) other items of income, gain, loss, deduction, or credit, including intangible drilling and development costs, amortizable basis of reforestation expenses, and soil and water conservation expenditures.

<b>Table 10 – Average Compliance Burden of Small Businesses Organized as Partnerships, by Major Industry and Type of Activity</b> (Average hours, details may not add due to rounding)						
Major Industry	Number of Small Partnerships	Compliance Activity				Total
		Recordkeeping	Learning about the law or the form	Preparing the form	Copying, assembling, sending form to IRS	
Agriculture	119.2	186	69	98	9	359
Mining	25.4	319	119	150	17	591
Utilities	3.1	319	125	154	19	604
Construction	151.3	305	99	131	9	543
Manufacturing	39.7	333	110	144	11	595
Wholesale & Retail Trade	176.2	307	101	133	10	549
Transportation & Warehousing	33.8	390	162	198	28	755
Information	33.9	272	99	129	12	508
Finance, Insurance & Real Estate	1,435.3	244	91	120	12	463
Professional, Scientific & Technical Services	161.9	296	99	130	10	533
Other Services	331.8	302	102	133	10	545
Average, All Industries	2,511.6	298	107	138	13	550

*Source: Authors' estimates based on data from the Internal Revenue Service, Statistics of Income*

In addition, certain elections are made by individual partners on their individual income tax return, rather than by the partnership. Among these elections are (1) election to deduct ratably certain qualified expenditures, such as intangible drilling costs, mining exploration expenses, or research and experimentation expenditures, (2) income from discharge of indebtedness, (3) deduction and recapture of certain mining exploration expenditures, and (4) the foreign tax credit.

The results in Table 10 show a fairly wide variation in compliance burden by industry. Partnerships in the transportation and warehousing industry face the highest average compliance burden, with an average 755 hours of compliance burden per partnership, while agriculture partnerships face, on average, the lowest compliance burden at 359 hours of compliance burden.

Some of the variation is attributable to the number and complexity of forms filed by partnerships in different industries. However, the primary reason for the compliance burden variation by industry results from the variation in the average number of partners per partnership by industry. To the extent that an industry has a higher number of partners on average, the average compliance burden for the industry will be higher. For example, there are approximately 3.7 partners per partnership in the agriculture industry. On the other hand, there are approximately 25 partners per partnership in the transportation and warehousing industry.

Table 11 shows how compliance burden varies by major industry group for those small businesses organized as S corporations. Mining and manufacturing incur the largest average burden with about 438 and 432 hours per year, respectively. Put somewhat differently, these industries spend about one day per week complying with the federal income tax law.

By far the lowest average compliance burden for S corporations is in the professional services industry with burden that is almost half that incurred by all other industries. This may reflect, in part, the consulting nature of the business.

<b>Table 11 – Average Compliance Burden of Small Businesses Organized as S Corporations by Major Industry and Type of Activity</b> <i>(Average hours, details may not add due to rounding)</i>						
Major Industry	Number of Small Businesses	Compliance Activity				Total
		Recordkeeping	Learning about the law or the form	Preparing the form	Copying, assembling, sending form to IRS	
Agriculture	79,042	230	59	93	8	389
Mining	16,616	265	64	100	9	438
Utilities	1,390	233	55	84	7	378
Construction	478,349	188	49	79	8	323
Manufacturing	139,964	262	63	99	8	432
Wholesale & Retail Trade	567,328	161	43	71	7	281
Transportation & Warehousing	104,202	222	54	83	7	366
Information	69,815	191	50	83	8	333
Finance, Insurance & Real Estate	534,700	177	5	87	10	328
Professional, Scientific & Technical Services	534,737	148	22	37	4	142
Other Services	918,822	179	37	73	7	294
Average, All Taxpayers	3,444,965	182	47	77	7	314

*Source: Authors' estimates based on data from the Internal Revenue Service, Statistics of Income*

The results for C corporations in Table 12 show a fairly wide variation in compliance burden by industry. C corporations in the finance and insurance industry face the highest compliance burden with, on average, 692 hours, while professional, scientific, and technical services C corporations face, on average, the lowest compliance burden at 375 hours.

Most of the variation is attributable to the number and complexity of forms filed by C corporations in different industries. This is attributable to the special industry-specific forms that C corporations must file. However, within industries, as the firms increase in size, the number of overall forms, as well as industry-specific forms, also increases.

**Table 12 – Average Compliance Burden of Small Businesses Organized as C Corporations, by  
Major Industry and Type of Activity**  
*(Average hours, details may not add due to rounding)*

Major Industry	Number of Small Businesses	Compliance Activity				Total
		Recordkeeping	Learning about the law or the form	Preparing the form	Copying, assembling, sending form to IRS	
Agriculture	140,413	397	77	112	7	595
Mining	29,865	343	89	141	12	567
Utilities	6,785	289	74	118	10	479
Construction	704,285	240	61	98	9	398
Manufacturing	257,721	287	74	117	10	475
Wholesale & Retail Trade	945,755	248	63	101	9	411
Transportation & Warehousing	177,375	244	62	99	9	405
Information	120,329	275	70	112	10	456
Finance, Insurance & Real Estate	831,543	547	155	255	24	692
Professional, Scientific & Technical Services	772,310	226	57	92	8	375
Other Services	1,430,520	233:	59	95	8	387
Average, All Taxpayers	5,416,901	272	70	111	10	451

*Source: Authors' estimates based on data from the Internal Revenue Service, Statistics of Income*



### C. Monetized Compliance Burden

The monetized compliance burden attempts to quantify what the compliance burden of the federal income tax system means in dollar terms. Theoretically, these monetized amounts could be compared to the tax liabilities of small businesses to determine the overall burden of the federal tax system. Tables 13 and 14 show the average monetized compliance burden of small businesses by entity type categorized by size of receipts and by major industry group.

Uniform values for average hourly wages in each industry were used to create the weighted average hourly wages for each entity. In other words, the dollar amounts used to monetize the burden reflect the composition of industries by entity type. This approach captures the composition of small businesses as it varies with the type of entity.

Table 13 presents the average monetized compliance burden by entity type and receipts size. As shown, there are significant variations by entity type. However, the monetized burden tends to increase with receipts size. The average monetized burden by entity tends to reflect the characteristics of that entity type. For instance, a significant proportion of C corporations are concentrated in the smallest receipts size classes, which tends to dampen the overall monetized burden.

Business Receipts Size	Sole Proprietorships		Partnerships		S Corporations		C Corporations	
	Number	Amount	Number	Amount	Number	Amount	Number	Amount
Under \$25,000	13,418,160	\$474	1366.4	\$8,283	852,425	\$4,739	1,317	\$5,783
\$25,000 to Under \$100,000	4,382,633	\$604	424.3	\$8,971	581,303	\$4,813	880	\$6,786
\$100,000 to Under \$250,000	1,448,575	\$671	283.3	\$10,331	648,461	\$5,042	972	\$7,213
\$250,000 to Under \$500,000	484,034	\$666	158.9	\$11,173	479,408	\$5,255	732	\$7,648
\$500,000 to Under \$1,000,000	207,462	\$693	120.6	\$13,059	389,850	\$5,491	635	\$8,331
\$1,000,000 to Under \$2,500,000	78,053	\$750	96	\$14,428	310,678	\$5,746	539	\$8,943
\$2,500,000 to Under \$5,000,000	15,657	\$815	39.7	\$19,179	120,081	\$5,976	223	\$9,829
\$5,000,000 to Under \$10,000,000	4,228	\$909	22.4	\$22,499	62,759	\$6,261	121	\$10,930
Average, All Taxpayers	20,038,802	\$525	2511.6	\$9,576	3,444,965	\$5,127	5,417	\$7,348

Table 14 provides the average monetized compliance burden by major industry for each entity type. The monetized amounts for each industry are consistent with the average hourly wages shown in table 4 above.

The differences in average hourly wages by industry range from \$35 for utilities to \$15 for wholesale and retail trade. These hourly wage variations by industry account for some of the variations in monetized burdens compared with the time burden.

<b>Table 14 – Average Monetized Compliance Burden of Small Businesses, by                      Type of Entity and Major Industry</b> <i>(Numbers in thousands, Amounts in dollars)</i>								
Major Industry	Sole Proprietorships		Partnerships		S Corporations		C Corporations	
	Number	Amount	Number	Amount	Number	Amount	Number	Amount
Agriculture	281,862	\$1,081	119.2	5,660	79,042	\$6,110	140	9,342
Mining	125,898	\$1,013	25.4	11,038	16,616	\$7,916	30	10,259
Utilities	11,795	\$981	3.1	15,794	1,390	\$9,680	7	12,266
Construction	2,586,608	\$771	151.3	10,459	478,349	\$6,215	704	7,645
Manufacturing	351,146	\$654	39.7	9,658	139,964	\$6,984	258	7,674
Wholesale & Retail Trade	2,749,630	\$377	176.2	8,217	567,328	\$4,178	946	6,117
Transportation & Warehousing	982,806	\$1,056	33.8	12,830	104,202	\$6,045	177	6,682
Information	295,017	\$573	33.9	11,090	69,815	\$7,137	120	9,763
Finance, Insurance & Real Estate	1,851,524	\$678	1435.3	8,181	534,700	\$5,754	832	13,025
Professional, Scientific & Technical Services	2,950,884	\$476	161.9	9,356	534,737	\$4,636	772	6,561
Other Services	7,851,632	\$375	331.8	7,656	918,822	\$4,386	1,431	5,415
Average, All Taxpayers	20,038,802	\$525	2511.6	8,371	3,444,965	\$5,127	5,417	7,348

## VIII. CONCLUSIONS AND DIRECTIONS FOR FUTURE RESEARCH

Much research has been done to try to quantify the compliance burden of the federal tax system for individuals and businesses in the United States. The compliance burden has been defined as the time and money taxpayers expend each year to comply with federal tax rules and regulations. There are many challenges to this effort. Accurate data on compliance costs are hard to obtain. Businesses organize in a variety of forms (e.g., sole proprietorships, partnerships, limited liability companies, S corporations, and C corporations) and each type of business entity has different federal income tax filing requirements. Existing research has attempted to quantify the number of hours taxpayers spend complying with federal tax laws, but those estimates of hours must then be translated to dollars to give a better picture of the overall impact of the federal tax system.

In this paper, we measure the federal income tax compliance burden of small businesses, adopting a forms-based approach. We calculate burden as the estimated time involved in completing each federal tax form times the number of taxpayers who actually complete the form.

This research is unique because it (1) attempts to isolate the impact of federal tax compliance on small businesses, (2) includes a more comprehensive list of forms in the calculations, which allows us to capture the effects of compliance burden on an industry-by-industry basis, (3) extends prior research by providing burden estimates for all small business entities, including those businesses organized as sole proprietorships, and (4) provides estimates of the monetized burden for each of these types of entities to facilitate comparison with other measures of tax burden, such as taxes paid.

The results of this research find a significant variation in average compliance burden across entity types. The compliance burden is lowest for sole proprietorships and highest with C corporations. However, the compliance burden for entities organized as a partnership can exceed that of C corporations as the numbers of partners increases.

The compliance burden across business size generally increases with the size of the business. However, this is not as pronounced as anticipated, as the time burden associated with the entity-level primary tax return influences greatly the compliance burden.

Our research indicates that there is also variation across industries; however, within entity types the variations are not as pronounced. For partnerships, certain exceptions include variations relating to partnership size. With respect to C corporations, there tend to be variations for such industries as finance and insurance, which have special reporting requirements that would increase the compliance burden.

The monetized burdens tend to demonstrate patterns similar to the time burdens. However, variations in the average hourly wage rate across industries tend to dampen the differences in the monetized compliance burdens.

Our findings are consistent with prior research. However, this study extends the previous analyses by focusing exclusively on small business entities as well as providing greater detail by industry and size of receipts for those business entities.

The Congressional Research Service notes that the compliance burden of the federal tax system represents approximately 80 percent of the overall “paperwork burden” for the federal government. Considering the magnitude of the compliance burden, our findings provide an important view of the compliance burden facing small businesses. Future research should focus on ways to simplify the tax law for those small businesses that bear a disproportionate share of the burden.

Approaches to simplifying the tax law may, indeed, focus on tax form content to minimize duplication of effort between forms. In a similar vein, minimizing the number of separate forms and schedules necessary for small businesses to achieve compliance with the federal tax code would provide a significant reduction in the compliance burden.

## References

- Arena, Peter, John F. O'Hare and Michael P. Stavrianos, "Measuring Taxpayer Compliance Burden: A Microsimulation Approach," *Proceedings: Ninety-Fifth Annual Conference, Orlando, FL., 2002*. Washington, DC: National Tax Association, 2003, pp. 333-341.
- Arthur D. Little, Inc. "Development of Methodology for Estimating the Taxpayer Paperwork Burden," Final Report to Department of the Treasury, Internal Revenue Service, Washington, DC, June 1988.
- Blumenthal, M. and J. Slemrod (1992), "The Compliance Cost of the U.S. Individual Income Tax System: A Second Look after Tax Reform," *National Tax Journal*, 45, June, 185-202.
- DeLuca, Donald, John Guyton, Wu-lang Lee, John O'Hare and Scott Stillmar, "Aggregate Estimates Small Business Taxpayer Compliance Burden," Presented at the IRS Research Conference, Washington, DC, June 2007.
- DeLuca, Donald, Arnold Greenland, Audrey Kindlon and Michael Stavrianos, "Challenges in Developing a Small Business Taxpayer Burden Model," Paper presented at the 2003 IRS Research Conference, Washington, DC, June 2003.
- DeLuca, Donald, Arnie Greenland, John Guyton, Sean Hennessy, and Audrey Kindlon, "Measuring the Tax Compliance Burden of Small Businesses," *Proceedings of the 2005 IRS Research Conference*, Internal Revenue Service, Publication 1500 (Rev. 1-2006) Washington, DC: pp.75-95.
- Guyton, John L., John F. O'Hare, Michael Stavrianos and Eric Toder, "Estimating the Compliance Cost of the U.S. Individual Income Tax," *National Tax Journal* 56 (September 2003): pp. 673-688.
- Guyton, John L., Audrey Kindlon and Jian Zhou, "Recent Research on Small Business Compliance Burden," *Proceedings: Ninety-Seventh Annual Conference, 2004*, Minneapolis. Washington, DC: National Tax Association.
- Kindlon, Audrey, "The Tax Compliance Burden of Small Businesses: A Profile of 50 Companies," Paper presented at the 2004 IRS Research Conference, Washington, DC, June 2004.
- Moody J. S. et al. (2005), "The Rising Cost of Complying With the Federal Income Tax," *Tax Foundation*, Special Report No.138, Washington, DC.
- Slemrod, J. (1996), "Which is the Simplest Tax System of Them All?" in *The Economics of Fundamental Tax Reform*, edited by Henry Aaron and William Gale, Washington, DC, Brookings Institution Press.

Slemrod, Joel, and Varsha Venkatesh, "The Income Tax Compliance Cost of Large and Mid-Size Businesses," Discussion paper No. 2004-4, Office of Tax Policy Research, University of Michigan, April 2004.

## APPENDIX A: COMPLIANCE BURDEN HOURS FOR THE PRIMARY INCOME TAX RETURN AND SCHEDULES BY ENTITY TYPE

**Table 15 – Compliance Burden Hours for the Primary Income Tax Return  
and Schedules by Entity Type  
(2004 Compliance Burden Estimates)**

Form Number	Form Name	Time for Recordkeeping (hours)	Time to Learn the Law (hours)	Time to Prepare the Return (hours)	Time to Mail the Return (hours)	Total Hours by Form Number (hours)
<b>Sole Proprietors</b>						
Form 1040, Schedule C	Profit or Loss From Business	6:04	1:51	2:19	0:41	10:55
Form 1040, Schedule C-EZ	Net Profit From Business					
Form 1040, Schedule E	Supplemental Income and Loss	3:00	1:13	1:27	0:34	6:14
Form 1040, Schedule F	Profit or Loss From Farming					0:00
Cash Method		3:29	0:36	1:27	0:20	5:52
Accrual Method		3:36	0:26	1:25	0:20	5:47
Form 1040, Schedule J	Income Averaging for Farmers and Fishermen	0:19	0:13	2:16	0:20	3:08
<b>Partnerships</b>						
Form 1065	U.S. Partnership Return of Income	44:20	28:10	48:54	5:21	126:45
Schedule C (Form 1065)	Net Income (Loss) Reconciliation for Certain Partnerships					0:00
Schedule D (Form 1065)	Capital Gains and Losses	6:56	2:34	2:48		12:18
Schedule L (Form 1065)	Balance Sheets per Books	15:32	0:06	0:21	0:00	15:59
Schedule M-1 (Form 1065)	Reconciliation of Income (Loss) per Books with Income (Loss) per Return	3:21	0:12	0:15	0:00	3:48
Schedule M-2 (Form 1065)	Analysis of Partners' Capital Accounts	3:06	0:06	0:09	0:00	3:21
Schedule M-3	Net Income (Loss)					0:00

**Table 15 – Compliance Burden Hours for the Primary Income Tax Return  
and Schedules by Entity Type  
(2004 Compliance Burden Estimates)**

<b>Form Number</b>	<b>Form Name</b>	<b>Time for Recordkeeping (hours)</b>	<b>Time to Learn the Law (hours)</b>	<b>Time to Prepare the Return (hours)</b>	<b>Time to Mail the Return (hours)</b>	<b>Total Hours by Form Number (hours)</b>
(Form 1065)	Reconciliation for Certain Partnerships					
Schedule K-1 (Form 1065)	Partner's Share of Income, Deductions, Credits, Etc.	19:58	12:28	13:26	0:00	45:52
<b>Total:</b>	<b>Form 1065 and Accompanying Schedules</b>	93:13	43:36	65:53	5:21	208:03
<b>S Corporations</b>						
Form 1120-S	U.S. Income Tax Return for an S Corporation	65:45	25:52	48:27	5:54	145:58
Schedule D (Form 1120-S)	Capital Gains and Losses	7:10	4:37	9:36	1:20	22:43
Schedule K-1 (Form 1120-S)	Shareholder's Share of Income, Credits, Deductions, Etc.	13:31	11:24	16:03	1:04	42:02
Schedule M-3 (Form 1120-S)	Net Income (Loss) Reconciliation	76:03	3:40	5:04	0:00	84:47
<b>Total:</b>	<b>Form 1120-S and Accompanying Schedules</b>	162:29	45:33	79:10	8:18	295:20
<b>C Corporations</b>						
Form 1120	US Corporation Income Tax Return	70:47	42:01	72:56	8:02	163:46
Form 1120A	US Corporation Income Tax Return (Receipts under \$500,000)	43:30	24:13	42:33	4:49	114:56
Schedule B (Form 1120)	Additional Information for Schedule M-3 Filers	0:00	0:00	0:00	0:00	0:00
Schedule D (Form 1120)	Capital Gains and Losses	6:56	3:55	6:03	0:32	17:26
Schedule H (Form 1120)	Section 280H Limitations for a Personal Service Corporation (PSC)	5:58	0:35	0:43	0:00	7:16
Schedule M-3 (Form 1120)	Net Income (Loss) Reconciliation	76:03	3:40	5:04	0:00	84:47



**Table 15 – Compliance Burden Hours for the Primary Income Tax Return  
and Schedules by Entity Type  
(2004 Compliance Burden Estimates)**

<b>Form Number</b>	<b>Form Name</b>	<b>Time for Recordkeeping (hours)</b>	<b>Time to Learn the Law (hours)</b>	<b>Time to Prepare the Return (hours)</b>	<b>Time to Mail the Return (hours)</b>	<b>Total Hours by Form Number (hours)</b>
Schedule N (Form 1120)	Foreign Operations of U.S. Corporations	3:49	1:30	4:25	0:48	10:23
Schedule O (Form 1120)	Consent Plan and Apportionment Schedule for a Controlled Group	0:00	0:00	0:00	0:00	0:00
Schedule PH (Form 1120)	U.S. Personal Holding Company (PHC) Tax	15:18	6:12	8:35	0:32	30:37
<b>Total:</b>	<b>Form 1120 and Accompanying Schedules (excluding Form 1120-A)</b>	178:51	57:53	97:43	9:54	314:15

## APPENDIX B: FEDERAL INCOME TAX PROVISIONS APPLICABLE TO SMALL BUSINESSES

**Table 16 – 2004 Master List of Business Income Tax Forms and Schedules**

Form Number	Form Name	Forms May be Part of Entity Compliance Burden				Estimated Compliance Time				
		Sole Props	Partnerships	S Corps	C Corps	Recordkeeping	Learning about the law or the form	Preparing the form	Copying, assembling, and mailing form to IRS	Total time for form
						Hours	Hours	Hours	Hours	Hours
Form 851	Affiliations Schedule	No	No	No	Yes	10:45	0:53	1:06	0:00	12:44
Form 926	Return by a U.S. Transferor of Property to a Foreign Corporation	Yes	Yes	Yes	Yes	5:30	4:10	4:26	0:00	14:06
Form 970	Application to Use LIFO Inventory Method	Yes	Yes	Yes	Yes	8:07	2:47	3:02	0:00	13:56
Form 973	Corporation Claim for Deduction for Consent Dividends	No	No	No	Yes	3:31	0:30	0:34	0:00	4:35
Form 982	Reduction of Tax Attributes Due to Discharge of Indebtedness (and Section 1082 Basis Adjustment)	Yes	Yes	Yes	Yes	5:44	2:10	2:22	0:00	10:16
Form 1040, Schedule C	Profit or Loss From Business	Yes	No	No	No	6:04	1:51	2:19	0:41	10:55
Form 1040, Schedule E	Supplemental Income and Loss	Yes	No	No	No	3:00	1:13	1:27	0:34	6:14
Form 1040, Schedule F	Profit or Loss From Farming									0:00
Cash Method		Yes	Yes	No	No	3:29	0:36	1:27	0:20	5:52
Accrual Method		Yes	Yes	No	No	3:36	0:26	1:25	0:20	5:47
Form 1040, Schedule J	Income Averaging for Farmers and Fishermen	Yes	No	No	No	0:19	0:13	2:16	0:20	3:08

**Table 16 – 2004 Master List of Business Income Tax Forms and Schedules**

Form Number	Form Name	Forms May be Part of Entity Compliance Burden				Estimated Compliance Time				
		Sole Props	Partner-ships	S Corps	C Corps	Recordkeeping	Learning about the law or the form	Preparing the form	Copying, assembling, and mailing form to IRS	Total time for form
						Hours	Hours	Hours	Hours	Hours
Form 1042	Annual Withholding Tax Return for U.S. Source Income of Foreign Persons	Yes	Yes	Yes	Yes	9:48	2:25	4:33	0:32	17:18
Form 1042-S	Foreign Person's U.S. Source Income Subject to Withholding	Yes	Yes	Yes	Yes	0:00	0:00	0:25	0:00	0:25
Form 1065	U.S. Partnership Return of Income	No	Yes	No	No	44:20	28:10	48:54	5:21	126:45
Form 1065-B	U.S. Return of Income for Electing Large Partnerships	No	Yes	No	No					0:00
Schedule C (Form 1065)	Net Income (Loss) Reconciliation for Certain Partnerships	No	Yes	No	No					0:00
Schedule D (Form 1065)	Capital Gains and Losses	No	Yes	No	No	6:56	2:34	2:48		12:18
Schedule L (Form 1065)	Balance Sheets per Books	No	Yes	No	No	15:32	0:06	0:21	0:00	15:59
Schedule M-1 (Form 1065)	Reconciliation of Income (Loss) per books with Income (Loss) per Return	No	Yes	No	No	3:21	0:12	0:15	0:00	3:48
Schedule M-2 (Form 1065)	Analysis of Partners' Capital Accounts	No	Yes	No	No	3:06	0:06	0:09	0:00	3:21
Schedule M-3 (Form 1065)	Net Income (Loss) Reconciliation for Certain Partnerships	No	Yes	No	No					0:00
Schedule K-1 (Form 1065)	Partner's Share of Income, Deductions, Credits, Etc.	No	Yes	No	No	19:58	12:28	13:26	0:00	45:52
Schedule K-1 (Form 1065-B)	Partner's Share of Income (Loss) From an Electing Large Partnership	No	Yes	No	No					0:00
Form 1118	Foreign Tax Credit -- Corporations	No	No	No	Yes	93:16	18:32	22:04	0:00	133:52
Schedule I	Reduction of Oil and Gas Extraction	No	No	No	Yes	9:19	1:00	1:11	0:00	11:30

**Table 16 – 2004 Master List of Business Income Tax Forms and Schedules**

Form Number	Form Name	Forms May be Part of Entity Compliance Burden				Estimated Compliance Time				
		Sole Props	Partnerships	S Corps	C Corps	Recordkeeping	Learning about the law or the form	Preparing the form	Copying, assembling, and mailing form to IRS	Total time for form
						Hours	Hours	Hours	Hours	Hours
(Form 1118)	Taxes									
Schedule J (Form 1118)	Adjustments to Separate Limitation Income (Loss) Categories for Determining Numerators of Limitation Fractions, Year-End Recharacterization Balances, and Overall Foreign Loss Account Balances	No	No	No	Yes	89:26	1:17	2:48	0:00	93:31
Form 1120	US Corporation Income Tax Return	No	No	No	Yes	70:47	42:01	72:56	8:02	163:46
Form 1120A	US Corporation Income Tax Return (Receipts under \$500,000)	No	No	No	Yes	43:30	24:13	42:33	4:49	114:56
1120-L	U.S. Life Insurance Company Income Tax Return	No	No	No	Yes	83:56	40:28	64:06	5:54	197:05
Schedule M-3 (Form 1120-L)	Net Income (Loss) Reconciliation	No	No	No	Yes	76:03	3:40	5:04	0:00	84:47
1120-PC	U.S. Property and Casualty Insurance Company Income Tax Return	No	No	No	Yes	97:48	37:40	68:50	8:02	212:20
Schedule M-3 (Form 1120-PC)	Net Income (Loss) Reconciliation	No	No	No	Yes	76:03	3:40	5:04	0:00	84:47
Schedule B (Form 1120)	Additional Information for Schedule M-3 Filers	No	No	No	Yes	0:00	0:00	0:00	0:00	0:00
Schedule D (Form 1120)	Capital Gains and Losses	No	No	No	Yes	6:56	3:55	6:03	0:32	17:26
Schedule H (Form 1120)	Section 280H Limitations for a Personal Service Corporation (PSC)	No	No	No	Yes	5:58	0:35	0:43	0:00	7:16
Schedule M-3 (Form 1120)	Net Income (Loss) Reconciliation	No	No	No	Yes	76:03	3:40	5:04	0:00	84:47
Schedule N	Foreign Operations of U.S. Corporations	No	No	No	Yes	3:49	1:30	4:25	0:48	10:23

**Table 16 – 2004 Master List of Business Income Tax Forms and Schedules**

Form Number	Form Name	Forms May be Part of Entity Compliance Burden				Estimated Compliance Time				
		Sole Props	Partnerships	S Corps	C Corps	Recordkeeping	Learning about the law or the form	Preparing the form	Copying, assembling, and mailing form to IRS	Total time for form
						Hours	Hours	Hours	Hours	Hours
(Form 1120)										
Schedule O (Form 1120)	Consent Plan and Apportionment Schedule for a Controlled Group	No	No	No	Yes	0:00	0:00	0:00	0:00	0:00
Schedule PH (Form 1120)	U.S. Personal Holding Company (PHC) Tax	No	No	No	Yes	15:18	6:12	8:35	0:32	30:37
Form 1120-S	U.S. Income Tax Return for an S Corporation	No	No	Yes	No	65:45	25:52	48:27	5:54	145:58
Schedule D (Form 1120-S)	Capital Gains and Losses	No	No	Yes	No	7:10	4:37	9:36	1:20	22:43
Schedule K-1 (Form 1120-S)	Shareholder's Share of Income, Credits, Deductions, Etc.	No	No	Yes	No	13:31	11:24	16:03	1:04	42:02
Schedule M-3 (Form 1120-S)	Net Income (Loss) Reconciliation	No	No	Yes	No	76:03	3:40	5:04	0:00	84:47
Form 1120-F	U.S. Income Tax Return of a Foreign Corporation	No	No	No	Yes	105:28	41:09	68:52	6:58	222:27
Form 1120X	Amended Return	No	No	No	Yes	13:09	1:14	3:22	0:32	18:17
Form 1122	Authorization and Consent of Subsidiary Corporation to be Included in a Consolidated Income Tax Return	No	No	No	Yes	0:00	0:00	0:00	0:00	0:00
Form 1128	Application to Adopt, Change, or Retain a Tax Year									
	Parts I and II	Yes	Yes	Yes	Yes	8:37	6:34	6:59	0:00	22:10
	Parts I and III	No	Yes	Yes	Yes	20:49	5:26	7:13	0:00	33:28

**Table 16 – 2004 Master List of Business Income Tax Forms and Schedules**

Form Number	Form Name	Forms May be Part of Entity Compliance Burden				Estimated Compliance Time				
		Sole Props	Partnerships	S Corps	C Corps	Recordkeeping	Learning about the law or the form	Preparing the form	Copying, assembling, and mailing form to IRS	Total time for form
						Hours	Hours	Hours	Hours	Hours
Form 2220	Underpayment of Estimated Tax by Corporations	No	No	Yes	Yes	37:18	1:05	1:45	0:00	40:08
	Schedule A, Part I	No	No	Yes	Yes	22:43	0:00	0:22	0:00	23:05
	Schedule A, Part II	No	No	Yes	Yes	10:31	0:18	0:28	0:00	11:17
	Schedule A, Part III	No	No	Yes	Yes	6:13	0:00	0:06	0:00	6:19
Form 2439	Notice to Shareholder of Undistributed Long-Term Capital Gains	No	No	No	Yes	3:06	0:47	0:52	0:00	4:45
Form 2553	Election by a Small Business Corporation	No	No	No	Yes	9:19	3:09	4:38	0:00	17:06
Form 3115	Application for Change in Accounting Method	Yes	Yes	Yes	Yes	38:29	19:54	23:48	0:00	82:11
	Schedule A	Yes	Yes	Yes	Yes	3:21	1:51	3:11	0:00	8:23
	Schedule B	Yes	Yes	Yes	Yes	1:25	0:30	0:33	0:00	2:28
	Schedule C	Yes	Yes	Yes	Yes	5:01	0:45	2:04	0:00	7:50
	Schedule D	Yes	Yes	Yes	Yes	27:30	1:59	2:31	0:00	32:00
	Schedule E	Yes	Yes	Yes	Yes	3:49	1:59	2:08	0:00	7:56
Form 3468	Investment Credit	Yes	Yes	Yes	Yes	11:14	3:34	3:55	0:00	18:43
Form 3800	General Business Credits	Yes	Yes	Yes	Yes	16:15	1:23	1:42	0:00	19:20
Form 4136	Credit for Federal Tax Paid on Fuels	Yes	No	No	Yes	19:46	0:06	0:20	0:00	20:12
Form 4255	Recapture of Investment Credit	Yes	Yes	Yes	Yes	6:28	1:35	1:46	0:00	9:49
Form 4466	Corporation Application for Quick Refund of Overpayment of Estimated Tax	No	No	No	Yes	4:04	0:18	0:22	0:00	4:44
Form 4562	Depreciation and Amortization	Yes	Yes	Yes	Yes	38:29	4:16	5:05	0:00	47:50
Form 4626	Alternative Minimum Tax -- Corporations	No	No	No	Yes	17:13	12:36	13:27	0:00	43:16
Form 4684	Casualties and Thefts	Yes	Yes	Yes	Yes	1:58	0:26	1:04	0:34	4:02
Form 4797	Sales of Business Property	Yes	Yes	Yes	Yes	35:23	8:20	9:17	0:00	53:00
Form 5452	Corporate Report of Nondividend Distributions	No	No	Yes	Yes	28:13	0:58	2:24	0:16	31:51

**Table 16 – 2004 Master List of Business Income Tax Forms and Schedules**

Form Number	Form Name	Forms May be Part of Entity Compliance Burden				Estimated Compliance Time				
		Sole Props	Partnerships	S Corps	C Corps	Recordkeeping	Learning about the law or the form	Preparing the form	Copying, assembling, and mailing form to IRS	Total time for form
						Hours	Hours	Hours	Hours	Hours
Form 5471	Information Return of U.S. Persons With Respect to Certain Foreign Corporations	Yes	Yes	Yes	Yes	82:45	16:14	24:17	0:00	123:16
Schedule J (Form 5471)	Accumulated Earnings and Profits (E&P) of Controlled Foreign Corporation	Yes	Yes	Yes	Yes	3:49	1:29	1:37	0:00	6:55
Schedule M (Form 5471)	Transactions Between Controlled Foreign Corporation and Shareholders or Other Related Persons	Yes	Yes	Yes	Yes	26:33	0:06	0:32	0:00	27:11
Schedule N (Form 5471)	Return of Officers, Directors, and 10% or More Shareholders of a Foreign Personal Holding Company	Yes	Yes	Yes	Yes	8:22	2:28	2:43	0:00	13:33
Schedule O (Form 5471)	Organization or Reorganization of Foreign Corporation, and Acquisitions and Dispositions of its Stock	Yes	Yes	Yes	Yes	10:45	0:24	0:35	0:00	11:44
Form 5472	Information Return of a 25% Foreign-Owned U.S. Corporation or a Foreign Corporation Engaged in a U.S. Trade or Business	No	No	No	Yes	17:42	3:04	3:30	0:00	24:16
Form 5712	Election to be Treated as a Possessions Corporation Under Section 936	No	No	No	Yes	4:32	0:35	0:42	0:00	5:49
Form 5712-A	Election and Verification of the Cost Sharing or Profit Split Method Under Section 936(h)(5)	No	No	No	Yes	5:15	0:53	1:01	0:00	7:09
Form 5713	International Boycott Report	Yes	Yes	Yes	Yes	22:00	2:21	4:01	0:00	28:22
Schedule A (Form 5713)	International Boycott Factor	Yes	Yes	Yes	Yes	3:06	0:12	0:15	0:00	3:33
Schedule B (Form 5713)	Specifically Attributable Taxes and Income (Section 999(c)(2))	Yes	Yes	Yes	Yes	3:21	1:59	2:07	0:00	7:27
Schedule C	Tax Effect of International Boycott	Yes	Yes	Yes	Yes	5:15	1:47	1:57	0:00	8:59

**Table 16 – 2004 Master List of Business Income Tax Forms and Schedules**

Form Number	Form Name	Forms May be Part of Entity Compliance Burden				Estimated Compliance Time				
		Sole Props	Partnerships	S Corps	C Corps	Recordkeeping	Learning about the law or the form	Preparing the form	Copying, assembling, and mailing form to IRS	Total time for form
						Hours	Hours	Hours	Hours	Hours
(Form 5713)	Provisions									
Form 5735	Possessions Corporation Tax Credit	No	No	No	Yes	20:05	4:48	7:12	0:32	32:37
Form 5884	Work Opportunity Credit	Yes	Yes	Yes	Yes	5:58	1:12	1:20	0:00	8:30
Form 6198	At-Risk Limitations	Yes	Yes	Yes	Yes	1:12	1:00	1:25	0:20	3:57
Form 6252	Installment Sale Income	Yes	Yes	Yes	Yes	1:18	0:24	1:00	0:20	3:02
Form 6478	Credit for Alcohol Used as Fuel	Yes	Yes	Yes	Yes	10:31	0:18	0:28	0:00	11:17
Form 6765	Credit for Increasing Research Activities	Yes	Yes	Yes	Yes	15:18	1:40	2:00	0:00	18:58
Form 6781	Gains and Losses from Section 1256 Contracts and Straddles	Yes	Yes	Yes	Yes	10:31	1:57	3:09	0:16	15:53
Form 8023	Elections Under Section 338 for Corporations Making Qualified Stock Purchases	No	No	Yes	Yes	9:19	1:35	1:48	0:00	12:42
Form 8027	Employer's Annual Information Return of Tip Income and Allocated Tips	Yes	Yes	Yes	Yes	9:47	0:53	1:00	0:00	11:40
Form 8027-T	Transmittal of Employer's Annual Information Return of Tip Income and Allocated Tips	Yes	Yes	Yes	Yes	0:43	0:00	0:00	0:00	0:43
Form 8050	Direct Deposit of Corporate Tax Refund	No	No	Yes	Yes	1:25	0:06	0:07	0:00	1:38
Form 8082	Notice of Inconsistent Treatment or Administrative Adjustment Request (AAR)	No	Yes	Yes	No	4:18	0:42	0:48	0:00	5:48
Form 8275	Disclosure Statement	Yes	Yes	Yes	Yes	3:35	1:00	1:06	0:00	5:41
Form 8275-R	Regulation Disclosure Statement	Yes	Yes	Yes	Yes	3:35	0:53	0:59	0:00	5:27
Form 8283	Noncash Charitable Contributions	Yes	Yes	Yes	Yes	0:20	0:29	0:37	0:35	2:01
Form 8302	Direct Deposit of Tax Refund of \$1 Million or More	No	No	No	Yes	1:40	0:40	0:33	0:00	2:53
Form 8308	Report of a Sale or Exchange of Certain Partnership Interests	No	Yes	No	No	2:23	2:23	2:32	0:00	7:18
Form 8582	Passive Activity Loss Limitations	Yes	Yes	Yes	No	1:25	1:43	1:45	0:20	5:13



**Table 16 – 2004 Master List of Business Income Tax Forms and Schedules**

Form Number	Form Name	Forms May be Part of Entity Compliance Burden				Estimated Compliance Time				
		Sole Props	Partner-ships	S Corps	C Corps	Recordkeeping	Learning about the law or the form	Preparing the form	Copying, assembling, and mailing form to IRS	Total time for form
						Hours	Hours	Hours	Hours	Hours
Form 8582-CR	Passive Activity Credit Limitations	Yes	Yes	Yes	No	2:04	6:04	4:19	1:09	13:36
Form 8586	Low-Income Housing Credit	Yes	Yes	Yes	Yes	6:13	1:37	3:40	0:32	12:02
Form 8594	Asset Acquisition Statement Under Section 1060	Yes	Yes	Yes	Yes	11:00	2:34	2:52	0:00	16:26
Form 8609	Low-Income Housing Credit Allocation Certification	Yes	Yes	Yes	Yes	4:10	7:53	4:28	0:00	16:31
	Schedule A (Form 8609)	Yes	Yes	Yes	Yes	1:23	7:24	1:32	0:00	10:19
Form 8611	Recapture of Low-Income Housing Credit	Yes	Yes	Yes	Yes	8:21	1:00	1:10	0:00	10:31
Form 8621	Return by a Shareholder of a Passive Foreign Investment Company or Qualified Electing Fund	No	Yes	Yes	Yes	13:38	6:27	6:57	0:00	27:02
Form 8697	Interest Computation Under the Lock-Back Method for Completed Long-Term Contracts									
	Part I	Yes	Yes	Yes	Yes	8:36	2:22	2:37	0:00	13:35
	Part II	Yes	Yes	Yes	Yes	9:19	2:05	2:19	0:00	13:43
Form 8716	Election to Have a Tax Year Other Than a Required Tax Year	No	Yes	Yes	Yes	2:37	1:12	1:16	0:00	5:05
Form 8804	Annual Return for Partnership Withholding Tax (sec. 1446)	No	Yes	No	No	0:52	0:54	0:24	0:20	2:30
Form 8810	Corporate Passive Activity Loss and Credit Limitations	No	No	No	Yes	26:18	5:15	5:55	0:00	37:28
Form 8813	Partnership Withholding Tax Payment (sec. 1446)	No	Yes	No	No	0:26	0:49	0:16	0:10	1:41
Form 8816	Special Loss Discount Account and Special Estimated Tax Payments for Insurance Companies	No	No	No	Yes	4:18	1:00	1:06	0:00	6:24
Form 8820	Orphan Drug Credit	Yes	Yes	Yes	Yes	5:30	1:00	1:07	0:00	7:37

**Table 16 – 2004 Master List of Business Income Tax Forms and Schedules**

Form Number	Form Name	Forms May be Part of Entity Compliance Burden				Estimated Compliance Time				
		Sole Props	Partner-ships	S Corps	C Corps	Recordkeeping	Learning about the law or the form	Preparing the form	Copying, assembling, and mailing form to IRS	Total time for form
						Hours	Hours	Hours	Hours	Hours
Form 8824	Like-Kind Exchanges	Yes	Yes	Yes	Yes	1:38	0:27	0:59	0:33	3:37
Form 8825	Rental Real Estate Income and Expenses of a Partnership or an S Corporation	No	Yes	Yes	No	6:27	0:34	1:37	0:16	8:54
Form 8826	Disabled Access Credit	Yes	Yes	Yes	Yes	6:13	0:42	0:49	0:00	7:44
Form 8827	Credit for Prior Year Minimum Tax -- Corporation	No	No	No	Yes	0:00	0:00	1:00	0:00	1:00
Form 8829	Expenses for Business Use of Your Home	Yes	Yes	Yes	No	0:52	0:07	1:15	0:20	2:34
Form 8830	Enhanced Oil Recovery Credit	Yes	Yes	Yes	Yes	5:15	0:53	1:01	0:00	7:09
Form 8832	Entity Classification Election	No	Yes	Yes	Yes	1:49	2:07	0:23	0:00	4:19
Form 8833	Treaty-Based Return Position Disclosure Under Section 6114 or 7701(b)	Yes	Yes	Yes	Yes	3:07	1:35	1:43	0:00	6:25
Form 8834	Qualified Electric Vehicle Credit	Yes	Yes	Yes	Yes	5:58	0:30	0:37	0:00	7:05
Form 8835	Renewable Electricity Production Credit	Yes	Yes	Yes	Yes	21:16	1:00	1:22	0:00	23:38
Form 8838	Consent to Extend the Time to Assess Tax Under Section 367 -- Gain Recognition Agreement	Yes	Yes	Yes	Yes	4:32	2:09	3:15	0:16	10:12
Form 8842	Election to Use Different Annualization Periods for Corporate Estimated Tax	No	Yes	Yes	Yes	1:55	0:06	0:08	0:00	2:09
Form 8844	Empowerment Zone and Renewal Community Employment Credit	Yes	Yes	Yes	Yes	8:22	2:22	2:37	0:00	13:21
Form 8845	Indian Employment Credit	Yes	Yes	Yes	Yes	6:13	1:40	1:52	0:00	9:45
Form 8846	Credit for Employer Social Security and Medicare Taxes Paid on Certain Employee Tips	Yes	Yes	Yes	Yes	6:27	0:18	0:24	0:00	7:09
Form 8847	Credit for Contributions to Selected Community Development Corporations	Yes	Yes	Yes	Yes	5:15	0:24	0:30	0:00	6:09
Form 8858	Information Return of U.S. Persons With Respect to Foreign Disregarded	Yes	Yes	Yes	Yes	17:56	4:10	4:38	0:00	26:44

**Table 16 – 2004 Master List of Business Income Tax Forms and Schedules**

Form Number	Form Name	Forms May be Part of Entity Compliance Burden				Estimated Compliance Time				
		Sole Props	Partner-ships	S Corps	C Corps	Recordkeeping	Learning about the law or the form	Preparing the form	Copying, assembling, and mailing form to IRS	Total time for form
						Hours	Hours	Hours	Hours	Hours
	Entities									
Schedule M (Form 8858)	Transactions Between Foreign Disregarded Entity of a Foreign Tax Owner and the Filer or Other Related Entities	Yes	Yes	Yes	Yes	24:09	0:06	0:30	0:00	24:45
Form 8860	Qualified Zone Academy Bond Credit	No	No	Yes	Yes	5:15	0:24	0:30	0:00	6:09
Form 8861	Welfare-to-Work Credit	Yes	Yes	Yes	Yes	6:42	1:35	1:46	0:00	10:03
Form 8864	Biodiesel Fuels Credit	Yes	Yes	Yes	Yes	7:24	0:45	2:07	0:00	10:16
Form 8865	Return of U.S. Persons With Respect to Certain Foreign Partnerships	No	Yes	Yes	Yes	89:21	23:16	36:26	0:00	149:03
Schedule K-1 (Form 8865)	Partner's Share of Income, Credits, Deductions, Etc.	No	Yes	Yes	Yes	10:31	0:35	0:48		11:54
Schedule O (Form 8865)	Transfer of Property to a Foreign Partnership	Yes	Yes	Yes	Yes	12:12	2:22	2:41	0:00	17:15
Schedule P (Form 8865)	Acquisitions, Dispositions, and Changes of Interests in a Foreign Partnership	Yes	Yes	Yes	Yes	5:15	0:35	0:42	0:00	6:32
Form 8866	Interest Computation Under the Look-Back Method for Property Depreciated Under the Income Forecast Method	Yes	Yes	Yes	Yes	9:34	1:05	1:18	0:00	11:57
Form 8869	Qualified Subchapter S Subsidiary Election	No	No	Yes	No	6:03	0:59	0:56	0:00	7:58
Form 8873	Extraterritorial Income Exclusion	Yes	Yes	Yes	Yes	21:03	1:59	2:25	0:00	25:27
Form 8874	New Markets Credit	Yes	Yes	Yes	Yes	6:13	1:12	1:20	0:00	8:45
Form 8881	Credit for Small Employer Pension Plan Startup Costs	Yes	Yes	Yes	Yes	5:58	0:53	1:01	0:00	7:52
Form 8882	Credit for Employer-Provided Child Care Facilities and Services	Yes	Yes	Yes	Yes	6:42	0:42	0:50	0:00	8:14
Form 8883	Asset Allocation Statement Under Section 338	No	No	Yes	Yes	16:44	3:28	3:54		24:06

**Table 16 – 2004 Master List of Business Income Tax Forms and Schedules**

Form Number	Form Name	Forms May be Part of Entity Compliance Burden				Estimated Compliance Time				
		Sole Props	Partner-ships	S Corps	C Corps	Recordkeeping	Learning about the law or the form	Preparing the form	Copying, assembling, and mailing form to IRS	Total time for form
						Hours	Hours	Hours	Hours	Hours
Form 8884	New York Liberty Zone Business Employee Credit	Yes	Yes	Yes	Yes	8:07	1:00	1:10	0:00	10:17
Form 8893	Election of Partnership Level Tax Treatment	No	Yes	No	No	1:25	0:24	0:25	0:00	2:14
Form 8896	Low Sulfur Diesel Fuel Production Credit	Yes	Yes	Yes	Yes	6:13	0:45	1:05		8:03
Form T (Timber)	Forest Activities Schedule	Yes	Yes	Yes	Yes	32:45	0:42	1:15		34:42
<b>TOTALS:</b>						2346:41	578:14	845:16	59:57	3802:31
<b>TOTAL NUMBER OF DAYS:</b>						97:46	24:05	35:13	2:29	158:26