

Abolishing the Income Tax

By Glenn Harlan Reynolds

Could we look for an end to the individual income tax? Maybe.

President Trump has talked about ending the income tax and replacing it with tariffs and spending cuts. Most people pooh-poohed that as unrealistic. But lots of Trump talk that was dismissed as unrealistic is coming true in the era of DOGE.



Blogger Brian Wang thinks it's a realistic possibility that a the [income tax](#) could go. He writes:

Getting to \$1.2 trillion of spending cuts is very doable. This could then boost GDP growth to 4-5% per year and reduce interest rates to 2-3% which would cut another \$300-400 billion of interest payments.

I know people have trouble believing these things will happen but a lot of it is clearly being executed. . . .

The bills are coming from congress to officially reorganize or virtually eliminate agencies.

The federal government brought in [\\$2.18 trillion](#) in individual income tax revenues. Elon Musk has predicted \$2 trillion in savings through DOGE-inspired cuts. Reduced interest rates on

the federal debt brought about by reduced spending would cut outlays further.

Estimates are that a 10% universal tariff would bring in about [\\$2 trillion in revenues](#). Under these circumstances, it's realistic to talk about abolishing the income tax and still paying down the national debt.

But I'd like to talk about something else: The savings, in money, time, aggravation and psychological stress, and the increase in freedom and privacy that would go with abolishing the individual income tax.

I asked GrokAI about some of these issues (I'm increasingly experimenting with AI platforms for research) and it gave me this:

One of the most immediate benefits for individual taxpayers would be the elimination of time spent on tax-related activities. The Internal Revenue Service (IRS) estimates that the average individual taxpayer spends approximately 13 hours per year preparing and filing their federal income tax return, according to the IRS Paperwork Reduction Act compliance estimates for Form 1040 (<https://www.irs.gov/pub/irs-pdf/i1040gi.pdf>). This figure includes gathering records, completing forms, and ensuring compliance with tax laws. For the roughly 150 million individual tax returns filed annually, this translates to nearly 2 billion hours collectively spent on tax preparation.

If personal income tax were eliminated, this time could be redirected to more productive or personally fulfilling activities. For example, a taxpayer earning the median U.S. hourly wage of approximately \$30 (as reported by the Bureau of Labor Statistics, https://www.bls.gov/oes/current/oes_nat.htm) could effectively "save" \$390 worth of time annually (13 hours × \$30/hour). For higher earners or those with more complex tax situations—such as self-employed individuals or those with

investment income—the time savings could be even greater, often exceeding 20–30 hours per year due to additional forms and schedules.

Moreover, the time spent on tax preparation does not account for ongoing record-keeping throughout the year. Taxpayers must track income, deductions, charitable contributions, and other financial activities, often requiring hours of organization and documentation. A study by the National Taxpayers Union Foundation (NTUF) suggests that small business owners and self-employed individuals may spend up to 80 hours annually on tax compliance (<https://www.ntu.org/foundation/detail/the-hidden-cost-of-tax-compliance>). Eliminating personal income tax would free up this time, allowing individuals to focus on work, family, or leisure.

Effort Savings

Beyond the quantifiable hours, the mental and emotional effort required to comply with the U.S. tax code is substantial. The federal tax code is notoriously complex, spanning over 70,000 pages when including regulations and guidance (<https://www.taxnotes.com/featured-analysis/how-long-tax-code>). This complexity forces many taxpayers to expend significant cognitive effort to understand their obligations, identify deductions, and avoid errors that could trigger audits or penalties.

For individuals, this effort often manifests as stress and anxiety, particularly during tax season. A 2019 survey by the American Psychological Association found that 60% of Americans reported feeling stressed about money, with tax-related concerns ranking high among financial stressors (<https://www.apa.org/news/press/releases/stress/2019/stress-america-2019.pdf>). Eliminating personal income tax would alleviate this burden, reducing the need to decipher tax laws or worry about compliance mistakes.

The effort savings would be even more pronounced for specific groups, such as freelancers, gig workers, and small business owners, who must navigate additional complexities like quarterly estimated tax payments and self-employment taxes. For these individuals, the elimination of income tax would remove the need to calculate and submit multiple payments throughout the year, streamlining their financial management and reducing administrative effort.

Expense Savings

The financial costs of tax compliance represent another significant burden for individual taxpayers. These expenses include payments to tax professionals, software purchases, and other out-of-pocket costs associated with filing returns. According to the IRS, approximately 60% of taxpayers hire a professional to prepare their returns, while 30% use tax preparation software (<https://www.irs.gov/statistics/filing-season-statistics>). The average cost of professional tax preparation ranges from \$150 to \$300, depending on the complexity of the return, as reported by the National Society of Accountants (<https://www.nsacct.org/tax-prep-fees>). For those using software, costs typically range from \$30 to \$100 per year.

For the 150 million tax returns filed annually, these costs add up quickly. Assuming an average professional fee of \$200 for 90 million returns (60% of filers) and an average software cost of \$50 for 45 million returns (30% of filers), the total direct cost of tax preparation exceeds \$20 billion annually (\$18 billion for professionals + \$2.25 billion for software). Eliminating personal income tax would erase these expenses entirely, putting billions of dollars back into taxpayers' pockets.

Additionally, taxpayers incur indirect costs related to tax planning and compliance. For example, individuals with investment income or rental properties often hire accountants

or financial advisors to optimize their tax strategies, costing hundreds or thousands of dollars annually. The Tax Foundation estimates that the total compliance cost of the U.S. tax system, including both individual and business taxes, exceeds \$400 billion per year (<https://taxfoundation.org/compliance-costs-irs-regulations/>). While not all of this pertains to personal income tax, a significant portion—likely over \$100 billion—reflects costs borne by individual taxpayers. Eliminating personal income tax would eliminate these expenses, providing substantial savings.

Broader Economic and Social Implications

The savings in time, effort, and expense would have ripple effects beyond individual taxpayers. For instance, the reduction in administrative burden could boost productivity, as individuals redirect their time and energy toward work or entrepreneurial pursuits. A study by the Mercatus Center at George Mason University suggests that simplifying tax compliance could increase GDP by up to 1% annually by reducing deadweight losses associated with tax administration (<https://www.mercatus.org/publications/economic-growth/cost-tax-compliance>).

Socially, the elimination of personal income tax could reduce inequality in tax compliance burdens. Lower-income taxpayers, who often lack access to professional tax assistance, disproportionately spend time and effort navigating the tax system or risk errors that lead to penalties. Wealthier taxpayers, by contrast, can afford advisors to minimize their tax liability. Eliminating the income tax would level the playing field, ensuring that all taxpayers benefit from reduced complexity and cost.

From Claude AI I got this:

Beyond direct expenses, tax compliance diverts resources from more productive uses:

- Business expansion opportunities missed due to time spent on taxes
- Investment opportunities foregone due to record-keeping burden
- Family time sacrificed during tax season
- Creative and entrepreneurial projects delayed

If personal income tax were eliminated, these resources could be redirected to more productive activities. Businesses could focus more on growth and innovation rather than compliance. Individuals could pursue additional education, spend more time with family, or engage in community activities.

The National Taxpayers Union Foundation estimated that Americans spend around 6.5 billion hours annually on tax compliance activities. Using more conservative estimates, and accounting only for documented costs, the total compliance burden for individual taxpayers likely exceeds \$200 billion annually.

Eliminating personal income tax would thus generate substantial savings beyond the actual tax burden:

Economic Benefits:

- Increased productivity from time savings
- Reduced compliance costs for individuals and businesses
- More efficient allocation of professional services
- Reduced need for tax-related software and services

Social Benefits:

- Reduced stress and anxiety
- More time for family and community
- Simplified financial planning
- Increased transparency in financial decisions

Educational Benefits:

- Time and resources redirected to valuable skills

- Reduced need for tax-specific education
- Simplified financial literacy education

The elimination of personal income tax would represent a significant simplification of life for most Americans. While some record-keeping would still be necessary for business and personal purposes, the extensive requirements for tax compliance would be eliminated. This would particularly benefit small business owners and self-employed individuals who currently face the highest compliance burdens.

I think that these are both correct. (Note that Grok has current access to the Internet, while Claude has to rely on its training data, which are updated periodically, but not super often; but I think Claude is a bit better as a writer).

In addition to these factors, all of which are huge, there is also the matter of privacy. Elizabeth Warren *et al.* are pretending to worry about DOGE crews being a threat to people's privacy. But having to give the government all your financial information, including how you earn your money, how much money you have in interest-bearing accounts, what you spend on in terms of deductions, and who you're supporting is a much, much bigger privacy invasion than names and social security numbers. And the IRS, as we've seen, is entirely capable of leaking this information for the most partisan of reasons.

Getting rid of the individual income tax would fix all this, remove a lot of economic distortions, and also eliminate the sense that we're all just working at the government's beck and call. It's something that looked like it could never happen, but now, a lot of things that looked like they could never happen are happening.

Why not this, too?

First published in [Glenn's Substack](#)