



BUDGET COMMITTEE



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**PREPARED OPENING STATEMENT OF
SENATE BUDGET COMMITTEE CHAIRMAN JUDD GREGG**

**HEARING ON THE CAUSES OF THE FEDERAL TAX GAP
WITH**

MARK W. EVERSON, COMMISSIONER, INTERNAL REVENUE SERVICE

**DAVID M. WALKER, COMPTROLLER GENERAL,
GOVERNMENT ACCOUNTABILITY OFFICE AND**

**NINA E. OLSON, NATIONAL TAXPAYER ADVOCATE, TAXPAYER
ADVOCATE SERVICE**

Good morning. We are pleased to have with us today two distinguished panels to discuss the federal tax gap, which is the gap between what the IRS collects and what is actually owed.

Taxes are an unfortunate byproduct of living in a civilized society. We should, as elected officials, strive to make our tax code one that's fair and allows our government to generate enough revenue to fund our nation's priorities and maintain a thriving economy, while allowing American individuals and families to keep as much of their own money as possible. Unfair taxation was one of the main causes of the American Revolution, and 230 years later taxes remain at the forefront of political debates. It certainly is an issue this committee will address as it begins to work on the federal budget for the next fiscal year.

A key component to any tax policy is effective and proper enforcement. Yesterday the IRS released an updated estimate of the tax gap in 2001. Last year the IRS estimated that in 2001 Americans who failed to file a return, underestimated their income on their returns, or simply underpaid what they owed accounted for between \$312 billion and \$353 billion. After the IRS collected about \$55 billion, the result was a final tax gap of somewhere between a \$257 billion to \$298 billion loss to the treasury. Yesterday they

narrowed that estimate to \$345 billion, which after collecting \$55 billion, leaves a net tax gap of \$290 billion.

Millions of hard-working Americans pay what they owe on-time, and we should not be punishing people who play by the rules by allowing others to cheat the system. As a government we must expand and improve our efforts to collect what is owed, and I am pleased to see the President continue to make this a priority in the budget he submitted to Congress last week. I hope we can work together with the Administration to step up our efforts to make sure that law-abiding Americans aren't being short-changed.

I look forward to the testimony today from our distinguished panels and thank the three of you for your continued service.