



June 13, 2006

Tax Gap Report

The latest information on America's growing tax gap from U.S. Senator Max Baucus (D-Mont.), Ranking Member, U.S. Senate Finance Committee

BAUCUS PUSHES ON TAX GAP AT FINANCE HEARING

Washington, DC - U.S. Senator Max Baucus (D-Mont.) today focused on the nation's annual tax gap – the difference between taxes legally owed and taxes actually collected in a timely fashion – at a Senate Finance Committee hearing on corporate tax issues. In his opening statement, Baucus reminded witnesses, including IRS Commissioner Mark W. Everson, that he challenged the IRS two years ago to achieve a 90 percent voluntary compliance rate by 2010. However, the tax gap has risen by more than \$30 billion annually since then, and the compliance rate has decreased.



“If we continue at this rate, by 2010 the annual gap will be more than \$500 billion,” Baucus said. **“We need effective enforcement efforts to detect and stop abuse and fraud. With an ever-growing cash economy and U.S. citizens and businesses using offshore financial mechanisms to conceal taxable income, it is critical that tax cheats know they are going to get caught. We need to stop winking at the problem. We need to stare it down. I am glad this hearing will examine the tax gap as it relates to business. As much as 40 percent of the gap is attributed to misreporting business income. We need to shut down these abuses.”**

Baucus also noted that outgoing Treasury Secretary John Snow has failed to provide a detailed blueprint for addressing the tax gap. **For Baucus's full statement and witness testimony, visit: <http://finance.senate.gov/sitepages/hearing061306.htm>.** Witnesses at today's hearing included Commissioner Everson and U.S. Comptroller General David Walker of the Government Accountability Office.

GAO REPORT REVIEWS TAX GAP FROM SECURITIES REPORTING

A new GAO report released today advocates a change in the information brokers should report on securities sales, to narrow the tax gap caused by misreporting of capital gains on an estimated 36 percent of securities sales. The report says brokers should report the cost basis of securities sales directly to the IRS, which will encourage accurate reporting by taxpayers and help the IRS follow up on taxes owed.

“Details from brokers can serve as a backstop against fraud or even simple mistakes when the time comes to pay taxes on securities sales,” said Baucus. **“IRS should work with brokers to take this common-sense step.”**

For the full report (GAO-06-603), visit: <http://www.gao.gov/docsearch/repandtest.html>.

BAUCUS UNVEILS INAUGURAL “TAX GAP REPORT” TODAY

At today's Senate Finance Committee hearing, Baucus unveiled this inaugural edition of his “Tax Gap Report,” a periodical publication of information and news on the annual gross tax gap of \$345 billion.

The Tax Gap Report will be a one-stop source for news on GAO and TIGTA reports, letters, and legislation addressing the tax gap. New editions will be distributed to press via e-mail, and also will be made available online at <http://finance.senate.gov/sitepages/baucus.htm>.

Every year, hundreds of billions of dollars in legally owed taxes go uncollected in the U.S. Closing that “tax gap” will significantly strengthen America's economy. Max Baucus has spearheaded efforts to reduce factors contributing to America's growing tax gap.