



July 26, 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 DENOUNCES STALLING ON TAX GAP ACTION

Washington, DC – In a statement released today, U.S. Senator Max Baucus (D-Mont.) detailed the lack of progress made by U.S. Treasury and Internal Revenue Service (IRS) officials in fighting the annual tax gap. The tax gap – the difference between taxes legally owed and taxes actually collected in a timely fashion – is currently an estimated \$345 billion per year, contributing to budget shortfalls and foreign borrowing by the U.S. government.



“The administration must respond regularly to tough challenges. Because many of them are unexpected and unpredictable, it can be difficult to plan for them, but the tax gap is different,” said Baucus. **“The tax gap didn’t pop up overnight. The administration has the opportunity to develop a thoughtful and responsible plan. The administration has an obligation to develop such a plan.”**

In his statement, Baucus noted that Bush administration officials have failed to answer repeated calls from the Senate Finance Committee for a comprehensive strategy to combat the tax gap.

- IRS Commissioner Mark Everson has not yet delivered reports promised at his 2003 confirmation hearing on tax gap benchmarks, including audit rates, modernization, and enforcement data.
- Upon his resignation in June of this year, former Treasury Secretary John Snow had not delivered a tax gap plan requested in February, due for delivery by March.
- Although Commissioner Everson committed in June to provide a complete tax gap strategy by September 30, 2006, neither Treasury Secretary Henry Paulson nor the nominee for Assistant Secretary for Tax Policy, Eric Solomon, would agree to ensure the plan’s completion by that date.

In his own efforts to fight the tax gap, Baucus has proposed legislation to shut down abusive tax shelters, beef up enforcement against offshore financial accounts that conceal taxable income, and establish quality standards on paid tax preparers.

For Baucus’s full statement, visit <http://finance.senate.gov/sitepages/baucus.htm>.

TIGTA REPORT SHOWS IRS FAILING TO COLLECT LEGALLY OWED ASSESSMENTS ON TAXPAYERS IGNORING CORRESPONDENCE AUDITS

A new report from the Treasury Inspector General for Tax Administration (TIGTA) indicates that while the IRS is increasing correspondence and face-to-face audits with higher-income American taxpayers, the agency is largely failing to collect additional taxes legally owed. The report (#2006-30-105) found that in FY 2004, the IRS assessed \$1.4 billion in additional taxes on high-income taxpayers who did not respond to correspondence audits. TIGTA investigators found that approximately \$992 million, or 70 percent, of those assessments had not been collected almost 2 years from the date of assessment.

The full TIGTA report is posted at http://www.treas.gov/tigta/oa_auditreports_fy06.shtml.

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.