

United States Senate Committee on Finance

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IRS RESPONDS TO SENATORS ON FOREIGN SOURCE INCOME INFO

Documents provided by foreign governments have gone unused to collect taxes owed

Washington, DC – U.S. Senators Charles Grassley (R-Iowa) and Max Baucus (D-Mont.), Chairman and Ranking Member of the Senate Finance Committee, received a response this week to their request for more information on IRS handling of foreign-source income information documents received from foreign countries. In a May 16 letter to IRS Commissioner Mark W. Everson, the Senators asked why the agency was failing to use these documents fully to collect taxes owed. A Treasury Inspector General for Tax Administration (TIGTA) report recently found that the IRS fails to make good use of these reports to identify income earned overseas by American taxpayers. This week, Commissioner Everson responded to questions about difficulties with using the information, and IRS's current efforts to date. The text of Commissioner Everson's letter to the Senators can be found at <http://finance.senate.gov/sitepages/baucus.htm>.

“This letter does a lot of explaining on this issue but doesn't promise much action, and that's what's needed now,” said Baucus. **“The IRS will never close the tax gap unless they go beyond acknowledging information bottlenecks like this and actually take sensible steps like the ones recommended by the Inspector General, who says IRS could spend about \$6,000 on computer programming and bring in \$168 million a year. It's fine that they're willing to look at this problem afresh, but I'd rather they just go ahead and solve it.”**

“Commissioner Everson gave several explanations as to why the IRS hasn't put this information to good use,” said Grassley. **“With the Commissioner's personal involvement in this issue, I expect him to see to it that foreign source documents will stop collecting dust, and start being effectively used to close the tax gap on unreported foreign income.”**

The text of the Senators' original letter can also be found on the Finance Committee website.

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