



Committee On Finance

Max Baucus, Ranking Member

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Baucus Calls for 90 Percent Voluntary Tax Compliance by 2010 *Senator Says Improving Voluntary Compliance Would Raise at Least \$100 Billion*

(WASHINGTON, D.C.) As the U.S. tax filing deadline approaches, U.S. Senator Max Baucus today again raised serious concerns over the number of individuals and corporations that fail to file and pay income taxes each year, causing a tax gap that the Internal Revenue Service (IRS) claims exceeds \$311 billion annually. Baucus today called for a 90 percent voluntary compliance goal by 2010. The voluntary compliance rate is what taxpayers voluntarily pay as a percentage of their total tax liability.

"The majority of American citizens do their patriotic duty each year and file and pay their taxes," Baucus said. "But there are millions of people - approximately 15 percent of the population -- who are failing to live up to their tax obligations. This is unacceptable and needs to stop. Today, I'm calling on the IRS to achieve a 90 percent voluntary compliance rate by the end of the decade, which would raise at least an additional \$100 billion each year -- without raising taxes."

The National Taxpayer Advocate estimated that the tax gap for 2001 was \$311 billion. This figure is based on data collected in 1988, which means that the current tax gap is significantly higher in all likelihood, Baucus stated. For the taxable years 2001 to 2003, the cumulative tax gap exceeded a trillion dollars.

As Ranking Member of the Senate Finance Committee, Baucus has outlined a number of steps that should be taken to close the gap. One clear solution, Baucus stated, is to adequately staff the IRS to allow the agency to effectively enforce the law, while continuing to improve customer service and helping taxpayers comply.

In recent Finance Committee testimony, Deputy Treasury Secretary Samuel Bodman acknowledged that 2.25 million cases totaling more than \$16.5 billion in delinquent taxes have not been pursued by the IRS since 2000. In addition, a recent General Accounting Office report found that 60 percent of U.S. corporations did not pay any federal taxes from 1996- 2000.

"This level of noncompliance is unacceptable," Baucus emphasized. "Hearing the reports of tax cheats is understandably frustrating to the single mother who is struggling to put her daughter through college, the family with two kids in grammar school, or the young couple just starting out. For these people and millions of others, it would never cross their minds not to file and pay their taxes - and they are the reason why we must close the tax gap. Beefing up IRS enforcement capability and funding is an essential first step."

Baucus noted that in addition to increased enforcement of existing laws, steps must also be taken to streamline the tax code and make it easier for people to comply. Baucus is supporting legislation to establish a bipartisan Blue Ribbon Commission on Tax Reform. The Commission would be tasked with developing common sense recommendations to effectively and comprehensively reform the U.S. Federal tax system in order to make it more user-friendly and reduce taxpayer burdens.

Another key element of the tax gap problem is stopping the use of abusive corporate tax shelters and tax avoidance schemes. As highlighted in the Enron debacle and other corporate scandals that have followed, the use of abusive tax schemes both denies funding to the U.S. Treasury and undermines consumer confidence. Along with Chairman Chuck Grassley, Baucus is pushing legislation that would shut down the use of abusive tax shelters, leasing transactions, and offshore tax avoidance. This package is currently included in the Jumpstart Our Business Strength bill being considered by the U.S. Senate.

"Our nation's financial picture continues to fall deeper in the red as the deficit continues to rise. Closing the tax gap and ensuring that every individual and corporation pays their fair share would go a long way toward balancing the budget and allowing us to more effectively plan for the future," Baucus said. "I will continue to do everything in my power to raise tax compliance by at least 5 percent by April 15, 2010 and am hopeful that the IRS will heed this call. We owe it to every American who is doing what's right and paying what's due."

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