



Committee On Finance

Max Baucus, Ranking Member

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BAUCUS CALLS FOR MORE IRS ANSWERS ON “TAX GAP”

*After Commissioner’s comments in hearing on taxes legally owed but unpaid,
Senator wants details of agency plans*

Washington, DC – U.S. Senator Max Baucus (D-Mont.), Ranking Democrat on the Senate Finance Committee, asked IRS Commissioner Mark Everson today to follow up on comments made at a hearing last week on the annual \$345 billion tax gap – the difference between taxes legally owed and taxes paid in America each year. Everson told the Senate Budget Committee that \$50 billion to \$100 billion in unpaid taxes could be collected each year without significant changes in the way the IRS interacts with the American people. Baucus asked today how Everson plans to reach that goal, and reiterated his concern about tepid tax gap proposals in the President’s FY2007 budget. The text of Baucus’s letter follows:

February 22, 2006

The Honorable Mark W. Everson
Commissioner
Internal Revenue Service
1111 Constitution Avenue
Washington, DC 20224

Dear Commissioner Everson:

At a recent Senate hearing on the \$345 billion annual tax gap, you testified that the Internal Revenue Service (IRS) could collect an additional \$50-\$100 billion each year without changing the way the Government interacts with the American taxpayer. You also stated a goal to raise the voluntary compliance rate from 83.5 percent to 85 percent by the year 2009.

I am very interested in closing the tax gap and would like more information on your strategy for reaching the goal you outlined last week. In addition, the Administration's FY '07 budget plan contains five legislative proposals aimed at closing the tax gap that are estimated to raise \$3.5 billion over ten years, or \$350 million per year. The Administration's FY '07 budget request for IRS is essentially flat after inflationary increases are taken into account. How does a flat budget with modest legislative proposals translate into the additional collections predicted last week? To what extent does IRS expect to achieve efficiency and productivity gains that would facilitate increased collections?

Please provide a detailed analysis of your estimates and plans to close the tax gap. This analysis should identify the specific components of the tax gap that will be reduced and explain how the reduction will be accomplished. In addition, please indicate what actions that are not contingent on legislation can be instituted immediately.

I look forward to your response to my request by March 8, 2006. If you have any questions regarding this inquiry, please do not hesitate to contact me.

Sincerely yours,

Max Baucus
Ranking Member, Senate Finance Committee

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