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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

IRS ANSWERS SHOW SCATTERED TAX GAP EFFORTS

Washington, DC – A hearing of the Senate Permanent Subcommittee on Investigations today provided revealing information about the role of offshore tax shelters in the U.S. tax gap, and about IRS efforts to close that chasm. Senator Max Baucus, a longtime advocate of strong measures to close the \$345 billion annual tax gap, said that answers from IRS Commissioner Mark W. Everson revealed the lack of a comprehensive effort at the IRS to address the difference between taxes legally owed and taxes actually collected in a timely fashion.



“Today Commissioner Everson pointed to the need for better information reporting and tougher rules for professionals, but in my view he was just recycling rhetoric on the tax gap,” said Baucus. **“The truth is that the IRS has let foreign-source information sit without going after offshore violators, and what’s missing is really a coordinated, concerted effort to address tax gap issues. Scattershot efforts to close the tax gap will never do as much as a comprehensive strategy that will address all the gap’s causes and keep it on the IRS’s front burner. That’s why I’ve asked Commissioner Everson and the administration to provide an overall IRS strategy on the tax gap by the end of this fiscal year. I’m looking forward to seeing it and to watching the IRS finally follow through.”**

Estimates indicate that offshore tax shelters contribute tens of billions of dollars per year to the gap. Although mail audits of high-income taxpayers have increased in recent months, such correspondence audits are less effective than face-to-face audits at uncovering sheltered income. A recent report from the Treasury Inspector General for Tax Administration (TIGTA) indicated that the IRS frequently fails to follow up and collect taxes owed from Americans who do not respond to mail audits.

BAUCUS RESPONDS TO TREASURY SECRETARY’S PUBLIC REMARKS

Senator Baucus responded today to Henry Paulson’s first public remarks as Secretary of the Treasury, delivered to an audience at Columbia University. Paulson spoke on issues including U.S. tax policy, funding for entitlement programs, and trade. Baucus commented that closing the tax gap would help Treasury face mounting financial pressures on the U.S., and regretted the omission of the tax gap from the Secretary’s remarks.

“Closing the tax gap would be a real release valve for the financial pressures our country faces, and I’d like to have seen some focus on that goal,” said Baucus. **“Closing the tax gap, just collecting the taxes that are legally owed, would help mightily as Treasury tries to address the challenges Secretary Paulson laid out today. Without raising taxes a single penny, the Treasury could have hundreds of billions more dollars to cut deficits and deal with growing entitlement obligations. The Secretary should commit to strong action on the tax gap soon.”**

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.