

Senate Finance Committee

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BAUCUS, GRASSLEY VISIT IRS TO GET TAX GAP ANSWERS

Finance Committee leaders call on Everson, tax agency leaders to detail individual efforts

Washington, DC – U.S. Senators Max Baucus (D-Mont.) and Chuck Grassley (R-Iowa) visited IRS headquarters today to ask senior executives at the agency what they will do this year to close the \$345 billion tax gap. Baucus and Grassley have identified the tax gap – the gulf between taxes legally owed and taxes actually collected in a timely fashion – as a drain on the U.S. economy and as a source of revenue to pay for U.S. priorities. The Senators met with IRS Commissioner Mark W. Everson and more than a dozen other senior IRS staff, including Deputy Commissioner for Services and Enforcement Kevin Brown, Deputy Commissioner for Operations Support Linda Stiff, and National Taxpayer Advocate Nina Olson.

“I wanted the facts about the tax gap from the people charged with closing it,” said Baucus. **“The cash currently falling into the tax gap is needed to fund a fiscally responsible government. We’ll work on legislative solutions in the Finance Committee, but at the end of the day it’s the IRS’s responsibility to collect the taxes that are owed through a balance of services, enforcement and information technology. Today’s meeting showed me that the IRS is making some headway, but there’s still much work left to be done.”**

Grassley said, **“The tax gap isn’t new. In spite of the IRS’ efforts to improve taxpayer compliance, the rate of voluntary, timely payment has ranged from around 81 percent to around 84 percent over the past 30 years. That’s why it’s disturbing that some members of Congress and maybe even some IRS employees are trying to stifle the private debt collection program before it’s had a chance to succeed. We use private contractors to help with other government functions. With a \$345 billion tax gap, we need every tool available. And Senator Baucus and I built in extensive oversight and protections of taxpayer rights.”**

Among the topics discussed at today’s meeting were the true size of the tax gap, the causes of the tax gap, and what can be done to close it administratively and legislatively. The senators challenged the IRS to set goals and timelines for closing the gap. Citing inaccurate or unavailable data, the IRS leaders were unable to provide an updated estimate of the size of the tax gap, projected to be \$345 billion each year in 2001, or to say to what extent they realistically could close it within a date certain. They identified tax law complexities, lack of resources and outdated information technology as leading challenges to closing the gap, and urged Baucus and Grassley to enact information reporting requirements to increase compliance.

Baucus and Grassley are Chairman and Ranking Member, respectively, of the Senate committee with jurisdiction over the IRS and U.S. tax policy. Treasury Secretary Henry Paulson is expected to testify before the Finance Committee at an upcoming hearing on his department’s plan to close the tax gap, and provide its missing revenue to the U.S. Treasury.

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