

Chairman Whitehouse's opening statement, [embargoed until time of delivery](#), is below.

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I'm pleased to convene this hearing on the tax gap and the related role of offshore tax evasion. My Republican colleagues and I may disagree on what makes a fair tax code, but we very much agree that everyone should pay what they owe. That principle is what today's hearing is about.

The IRS conservatively estimates the tax gap—the difference between taxes owed and taxes collected—to be \$441 billion per year. Commissioner Rettig recently testified that the tax gap may have grown as high as *\$1 trillion* in recent years. (Trillion with a T.)

One reason for the gulf between the official estimate and Commissioner Rettig's is the bad job the official estimate does incorporating the so-called international tax gap—what is hidden by wealthy individuals and large corporations overseas. Tracking this offshored money is difficult, but we know there's lots of it. Research suggests the Treasury may lose anywhere from \$40 billion to \$123 billion annually from offshore tax evasion.

Typical American taxpayers don't have the option to hide money abroad, so the wealthy who cheat on their taxes through offshoring also worsen income and wealth inequality. One study estimates the highest-earning 1 percent of taxpayers hide 20 percent of their income, accounting for 36 percent of unpaid taxes. Most Americans pay what they owe, meaning they cover for the tax cheats through higher taxes, fewer public services, or a larger federal debt.

For large multinational corporations that stretch loopholes beyond recognition to book income to tax havens, the line between legal avoidance and evasion may be paper thin. It turns on whether an outgunned IRS can beat back the armies of lawyers hell-bent on burying them in litigation.

An outsider looking at these numbers may ask how the most wealthy, powerful country in the world could let this happen. The answer is we made it happen. Over a decade, Republicans cut the IRS budget by 20 percent, with enforcement hit especially hard. There are 30 percent fewer enforcement staffers than a decade ago, and the number of highly trained revenue agents – who tackle complex audits of the wealthy and large corporations – is down nearly 40 percent. The result: millionaire and billionaire audits dropped over 72 percent, and audits of the largest corporations – those with \$20 billion in assets – declined by half. As former Commissioner Koskinen once said, cutting the IRS budget gives a “tax cut to tax cheats.” As the IRS budget fell, audit rates for the rich and poor in America converged. A worker receiving the Earned Income Tax Credit is nearly as likely to be audited as a seven-figure earner.

What do we do? We ought to start with the multi-pronged approach put forward by the Biden administration:

- One: Ensure the IRS has the resources it needs to collect what taxpayers owe. It needs a larger staff with the knowledge and experience to untangle the networks of shell

companies the ultra-rich and large corporations use to hide their income, often in offshore tax havens. I'd like to explore mandatory funding for the IRS, so the agency has the sustained, predictable support it needs to make long-term investments.

- Two: Require more reporting of the type of income the super-rich tend to hide. Middle-class taxpayers can't hide their wages from the IRS. The super-rich shouldn't be able to either.
- Three: Support a technological reboot at the IRS. The agency still relies on some systems from the 1960s. Modern tools and technology could help root out offshore and other types of tax evasion.

The investment will pay off. Treasury estimates \$80 billion to revitalize the IRS will yield \$700 billion in revenues – funding we could invest in working families. I'll note that budget scoring rules block Congress from using such high-return investments as pay-fors – that needs to change.

Ramped-up enforcement is essential, but it's no substitute for addressing the injustice in the tax code, particularly tax breaks for the ultra-rich and large corporations. For example, my No Tax Breaks for Outsourcing Act would end the incentive for multinational corporations to shift profits offshore.

I'm pleased to be joined by such a distinguished panel of witnesses to discuss the size and scope of the tax gap, the role of offshore tax evasion, and how to combat it.