Prepared Testimony for the Senate Finance Committee

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Chairman Wyden, Ranking Member Crapo, Members of the Committee: Thank you for inviting me to share my views on the importance of adequately funding the Internal Revenue Service—and the generational opportunity to improve our tax system presented by the Inflation Reduction Act's $80 billion multi-year investment in the agency.

The IRS is critical to the functioning of our society. It collects 96% of the revenue that funds the federal government.[1] It touches just about every American household and business each year. It is the largest administrator of federal benefits in our government, and it was responsible for disbursing critical support to millions of families during the pandemic—for example, through three rounds of economic impact payments and advancing the child tax credit.[2]

It has done all of this, for far too long, without the resources in place to serve taxpayers or administer the tax laws in the way the American people deserve. Prior to the Inflation Reduction Act's (IRA's) passage, the agency could not invest in hiring customer service representatives to answer the phones, or experts in partnership law to unpack passthrough returns, or computer scientists to overhaul the oldest IT system in the federal government.

It is no surprise then, that, in the year before the IRA was passed, the agency's level of service (fraction of telephone calls answered) hovered around 15%,[3] or that it opened examinations of just 7,500 partnership returns of the more than 4 million it receives each year (an audit rate of approximately zero),[4] or that millionaire audits dropped off by more than 80% in the last decade,[5] or that the functionality of the taxpayer online account was decades behind what you see in the private sector.

The IRA makes a much-needed, once-in-a-generation investment in the IRS to modernize America's system of tax administration, and, by doing so, meaningfully increase compliance

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[1] Internal Revenue Service. 2023. "IRS Releases Fiscal Year 2022 Data Book Describing Agency's Activities | Internal Revenue Service." April 14, 2023.
[2] Internal Revenue Service. 2022. "IRS Releases Its 2021 Progress Update Detailing Challenging Year | Internal Revenue Service." January 7, 2022.
[3] National Taxpayer Advocate. 2023. "National Taxpayer Advocate Delivers 2022 Annual Report to Congress; Focuses on Taxpayer Impact of Processing and Refund Delays | Internal Revenue Service." Internal Revenue Service. January 11, 2023.
[4] Yellen, Janet, and U.S. Department of the Treasury. 2022. "Secretary of the Treasury Janet L. Yellen Sends Letter to IRS Commissioner in Support of Funding for IRS to Improve Taxpayer Service & Combat Evasion by High Income Earners and Corporations." U.S. Department of the Treasury. August 10, 2022.
[5] See Table 2, below.

with the nation's tax laws. This is a substantial opportunity for the agency and for the nation's fiscal situation, and this investment is already starting to reap dividends. Thanks to the IRA, the IRS achieved an 87% level of service this year—up about 315% in just twelve months. Among other accomplishments, the agency answered 2 million more calls this year, cut average phone wait times from 27 minutes to 4 minutes, served 100,000 more taxpayers in person, digitized 80 times more returns by adopting scanning technology, cleared filing backlogs, and more quickly processed tax returns and taxpayer refunds.[6]

In addition to these meaningful service improvements, over the course of the last several months the IRS has also begun to overhaul its tax compliance efforts. This is an area where the agency's nascent efforts have been subject to substantial confusion and misinterpretation.

So, in my testimony today, I would like to make four points about noncompliance in our tax system and the importance of the IRA's investment. First, the tax gap, which is the difference between owed and collected taxes, is large—more than 2% of GDP on an annualized basis. This means that even marginal improvement with respect to compliance will have a meaningful impact on our nation's fiscal position and help address large and growing deficits. Second, the tax gap is concentrated at the top of the income distribution, and it is here that the agency has struggled most in recent years, due to resource constraints. Thus, addressing tax evasion by sophisticated, high-income taxpayers, large corporations, and partnerships is appropriately where the IRS is focused on expending its new resources. Third, investments to address noncompliance are likely to raise much more than official government estimates suggest: My recent work with former Assistant Secretary for Tax Policy Mark Mazur suggests they could reap around $560 billion in additional tax collection ($480 billion net of IRA's investment) over the next decade.[7] And fourth, the benefits of investing in the IRS go beyond revenue collection, as new resources will address longstanding inequities in our tax system and decrease taxpayer burden.

1. ***The Tax Gap is Large—Greater Than 2% of GDP Annually***

The IRS regularly releases estimates of the federal tax gap. The most recent estimates cover tax years 2014-2016, where the agency reported a gross tax gap (the difference between taxes legally owed and those voluntarily paid) of around $500 billion annually, which grew to $540 billion in 2019, adjusted for growth and inflation. Enforcement efforts help the agency chip away at this total, but it remains substantial—of 2019 taxes owed, the IRS failed to collect $470 billion even after accounting for its audit and collection efforts.[8]

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[6] U.S. Department of the Treasury. 2023. "Filing Season 2023 Report Card: IRS Delivered Significantly Improved Customer Service." U.S. Department of the Treasury. April 17, 2023.
[7] Sarin, Natasha, and Mark Mazur. 2023. "The Inflation Reduction Act's Impact on Tax Compliance—and Fiscal Sustainability."
[8] Internal Revenue Service. 2022. "Federal Tax Compliance Research: Tax Gap Estimates for Tax Years 2014-2016"; Internal Revenue Service. 2022. "IRS Updates Tax Gap Estimates;
New Data Points the Way toward Enhancing Taxpayer Service, Compliance Efforts | Internal Revenue Service."

To put that number into context, it represents 2.2% of total GDP in 2019.[9] It was a whopping 47% of the total budget deficit in that year.[10] So, if the United States was able to collect the taxes that were already on the books, deficits would shrink by nearly half. That's without any tax increases or cuts to vital programs like food stamps, veterans' benefits, and Medicaid.

And the IRS's tax gap estimate is likely an understatement of true evasion in the economy. To estimate compliance with the individual income tax, the IRS uses a random sample of a few thousand individual income tax returns each year that are representative of the income tax returns filed for that year. But for other components of the tax gap (e.g., corporate income tax, employment taxes, non-compliance by pass-through entities), the IRS does not conduct similar studies, so it relies on data sources that are less robust. The IRS is explicit that its ability to measure noncompliance in these areas is limited: It cannot "fully represent noncompliance in some components of the tax system, particularly as they relate to corporate income tax, income from flow-through entities, foreign or illegal activities, and digital assets."[11]

The problem of mismeasurement exists even for the individual income tax gap, where for taxpayers at the top of the income distribution, it is possible to shield income, even from audit.[12] So, the net tax gap as measured—which, if left unaddressed, will grow to $7.7 trillion over the course of the next decade—is a lower bound on the true scale of noncompliance today.

To be sure, eliminating the tax gap entirely is an impossible objective. No matter how many resources the IRS marshals, some tax evasion will persist.

But the fact that such a significant source of revenue exists that is legally owed, but uncollected, means that investments in addressing the tax gap, like the IRA's investment in the IRS, are a vital tool in addressing our nation's fiscal imbalances. Conversely, the failure to invest sufficiently in the IRS—or, defunding the IRS, as some critics have called for—will meaningfully add to our deficits and threaten our long-term fiscal sustainability.

2. *The Tax Gap is Concentrated*

While at the Treasury Department, I estimated the distribution of the tax gap, concluding that the top 1% of the income distribution is responsible for nearly 30% of unpaid taxes, or about 2 trillion over the next decade.[13]

The actual number is likely higher for the reasons of mismeasurement discussed above. Because the IRS struggles to estimate the noncompliance of high-income individuals engaging in tax evasion and the corporations and pass-through entities they own, current measures of the distribution of the tax gap overstate the share of tax evasion that is attributable to the bottom and

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[9] Bureau of Economic Analysis. 2023. "Gross Domestic Product | U.S. Bureau of Economic Analysis (BEA)."
[10] U.S. Department of the Treasury. 2023. "Fiscal Data Explains the National Deficit." 2023.
[11] Internal Revenue Service. 2022. "Federal Tax Compliance Research: Tax Gap Estimates for Tax Years 2014-2016."
[12] Recent academic work suggests that evasion by sophisticated taxpayers is underestimated in official IRS estimates because it fails to account for these effects. Guyton, John, Patrick Langetieg, Daniel Reck, Max Risch, and Gabriel Zucman. 2021. "Tax Evasion at the Top of the Income Distribution: Theory and Evidence."
[13] Sarin, Natasha. 2021. "The Case for a Robust Attack on the Tax Gap." U.S. Department of the Treasury.

the middle of the income distribution. Getting a clearer picture of the size of the tax gap and its distribution is critical to the IRS's compliance efforts going forward to help the agency set an appropriate baseline and delineate progress as it invests in its ability to police high-end evasion.

It is worth noting briefly that a challenge with respect to distributional analysis is how best to classify individuals across the income distribution. Official scorekeepers do not impute unreported income in the individual tax model, so current analyses do not provide an overall distribution of unreported income. In the context of recent legislative debates, the Joint Committee on Taxation (JCT) provided an assessment of unreported Schedule C income earned by proprietors, concluding that over half accrues to those making less than $50,000 annually. But these estimates are based on classifying taxpayers by reported income, rather than true income. And of course, taxpayers who choose to evade their tax liabilities most often do so by underreporting their true level of income. A distribution of Schedule C income based on post-audit income paints a very different picture, as the table below makes clear.

Table 1: Proprietorship, Partnership, and S-Corporation Income

Filer Category	Proprietorship Income (Schedule C)		Partnership and S-Corporation Income (Schedule E)	
	Reported	Adjusted	Reported	Adjusted
Less than $0	5%	0%	6%	0%
$0 to $50,000	52%	13%	34%	3%
$50,000 to $100,000	21%	20%	25%	14%
$100,000 to $200,000	12%	26%	13%	27%
$200,000 to $500,000	6%	17%	14%	22%
$500,000 and over	4%	24%	9%	35%

Source: IRS National Research Program and Congress of the United States, Joint Committee on Taxation.[14]

Why does this sort of distributional analysis matter? As the Administration made the case for the importance of investing in the IRS in the lead-up to the IRA's passage, it focused on addressing high-end evasion by sophisticated taxpayers. It is here that the IRS has lost the most capacity: Audit coverage fell across-the-board but decreased most at the very top of the income distribution. And coverage has been essentially nonexistent (an audit rate of less than 0.05% in

[14] Id.; Barthold, Thomas. 2021. "Distributional Information." Official memorandum. Washington, DC: Congress of the United States, Joint Committee on Taxation.

2019, declining from just 0.4% in 2010) for complex tax structures like partnerships, which have grown to represent more than 35% of total business income.[15]

Table 2: Decline in Audit Rates Across Filer Categories

Filer Category	Percent Audited		Percent Decline (2010 - 2019)
	2010	2019	
All Filers	0.9%	0.4%	-58.1%
Individuals	1.1%	0.4%	-63.9%
EITC Recipients	2.4%	1.1%	-53.1%
$1 million - $5 million	6.7%	1.0%	-84.7%
$5 million - $10 million	11.6%	1.4%	-87.9%
$10 million +	18.4%	3.9%	-78.8%
Corporations	1.4%	0.7%	-49.6%
with assets over $20 billion	97.9%	49.9%	-49.1%
Employment	0.2%	0.1%	-52.4%
Estates	10.1%	6.9%	-31.9%

Source: The data in this table was collected from tables 9a, 9b, and 17b in the IRS Data Books from 2010 and 2019. The IRS stopped releasing audit data for filers by different income brackets. Data for 2019 was supplemented with Table 3 audit rates data from the Government Accountability Office which was released in 2022.[16]

Critics of the IRS have focused on inaccurate estimates of the distribution of noncompliance to argue that there is not enough evasion at the top of the distribution to merit these additional investments. An appropriate analysis of the distribution of noncompliance today reveals that this concern is misplaced.

Both because their tax bills are so large, and because the IRS's capacity at the top of the distribution has declined so drastically over the course of the last decade, this is also where returns to additional enforcement activity are greatest. So it is here where, consistent with the

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[15] Internal Revenue Service. 2023. "Internal Revenue Service Strategic Plan" ; U.S. Department of the Treasury. 2021. "The American Families Plan Tax Compliance Agenda."

[16] Internal Revenue Service. 2010. "IRS Data Book."; Internal Revenue Service. 2019. "IRS Data Book."; U.S. Government Accountability Office. 2022. "Tax Compliance: Trends of IRS Audit Rates and Results for Individual Taxpayers by Income." Note that the 2019 Data Book provides a crosswalk of the tables, and the IRS did not publish the number of audits collected on individual filers with incomes of $1 million, $5 million, or $10 million and above in that year. The figures for those numbers were obtained from the GAO, which used 2019 IRS tax data to calculate the audit rate by filer income status.

Secretary of the Treasury's very clear directive, and the Commissioner of the IRS's commitment, new enforcement resources will appropriately be focused.

3. *Investing in the IRS Could Raise Over $500 Billion in New Tax Revenue this Decade*

When the Congressional Budget Office (CBO) assessed the revenue impact of new investments in the IRS, it concluded that they would raise nearly $200 billion in new tax collections (or around $115 billion, net of the cost of new investments).[17] Conversely, as CBO has weighed in on legislation that would rescind the majority of the new funds the agency has received, it has concluded that budget deficits would rise by a similar magnitude over the course of the next decade if these investments in the agency were rolled back.[18]

While directionally correct, I believe this conclusion understates the likely return to the substantial long-term investments in the IRS made in the IRA. Mark Mazur and I estimate that the IRA could raise around $560 billion in new tax collection in this decade ($480 billion net of investment), or more than three times official scorekeepers' estimates. Depending on the extent of taxpayers' behavioral response, the total could easily be closer to $1 trillion.

The value of investing in the IRS grows over time, in part because investments in improving information technology and overhauling compliance efforts directed at high-income earners take years to pay off in full. By the second decade, our baseline estimate suggests that new IRA resources will lead to upwards of $1.5 trillion in total new tax collection, assuming the IRA investments in the IRS are extended.

To be sure, this revenue estimate is large. But it is important to put this estimate in context given the scope of tax evasion in the United States today. Over the decade, our baseline estimate is that the IRS will capture just 7% of the tax gap which, left unaddressed, would otherwise total more than $7.7 trillion over this period. That is sizable progress that will reap benefits for the nation's fiscal position—but it is modest given the size of the tax gap.

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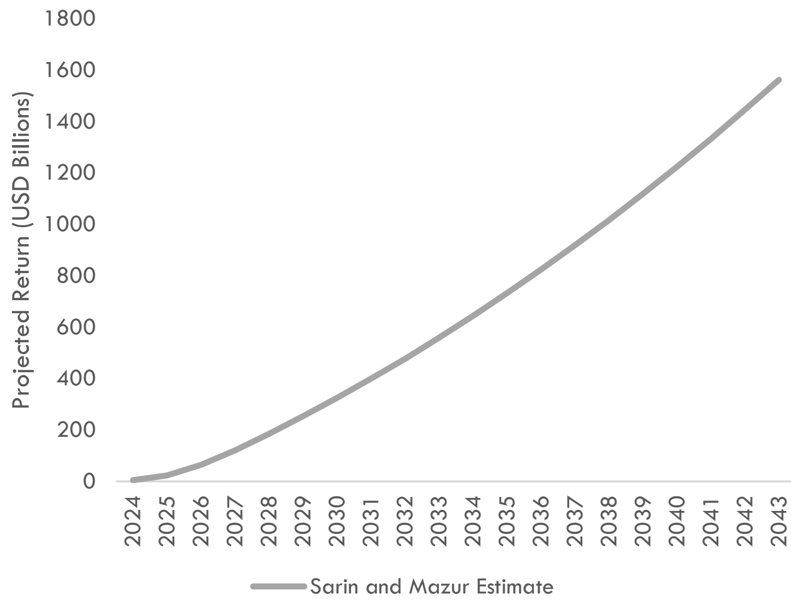
[17] CBO has released multiple estimates of the additional tax revenue that can be collected by investing in the IRS. In 2021, CBO estimated the returns to a roughly $80 billion investment in the agency and concluded it would generate almost $200 billion in new tax revenue (for a net figure for revenue raised of about $115 billion). (Swagel, Phil, and Congressional Budget Office. 2021. "The Effects of Increased Funding for the IRS.").

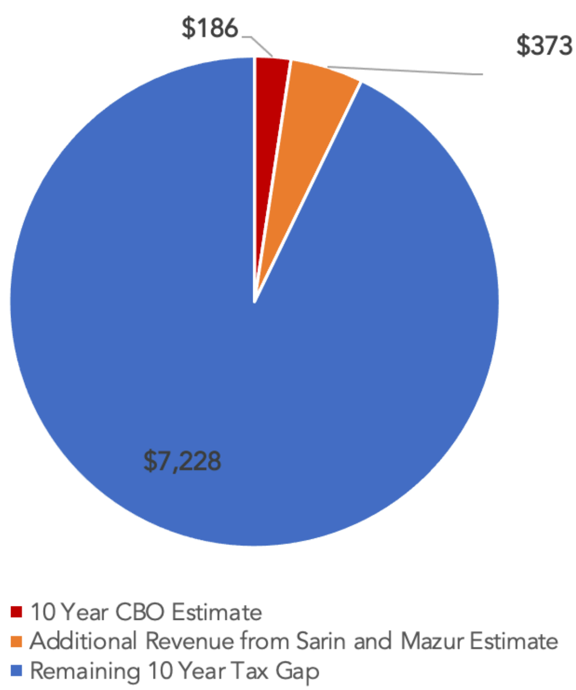
[18] In 2022, after the Inflation Reduction Act's passage, CBO updated its estimate largely for changes in the legislative language, saying that the IRA's investment in the IRS would increase tax revenues by approximately $180 billion over the decade. (See Congressional Budget Office. 2022. "Additional Information About Increased Enforcement by the Internal Revenue Service"). Most recently, in 2023, in scoring a potential recission of the majority of these funds, CBO came to a slightly different revenue estimate of $186 billion, likely related to changes in the ten-year budget window. (Congressional Budget Office. 2023. "Estimated Budgetary Effects of H.R. 23, the Family and Small Business Taxpayer Protection Act | Congressional Budget Office.")

Chart 1: Projected Cumulative Revenue from Enforcement Investment, 2024-2043



Source: Sarin, Natasha, and Mark Mazur. 2023. "The Inflation Reduction Act's Impact on Tax Compliance—and Fiscal Sustainability."

Chart 2: Estimated Enforcement Revenue and the Tax Gap, in Billions



Source: Sarin, Natasha, and Mark Mazur. 2023. "The Inflation Reduction Act's Impact on Tax Compliance—and Fiscal Sustainability."

What drives the differences between our estimate and official government estimates? There are several aspects of IRS investments that are under-estimated or even ignored by government estimators.

First, official scorekeepers rely on the historical returns to enforcement activities to come to estimates of the gains from new investments, which have averaged around 4:1.[19] But these historical ROI figures do not account for the fact that the IRS is starting from a nadir with respect to its enforcement efforts.

Official models also do not capture the higher returns associated with pursuing high-end and complex noncompliance, and this is where the IRS is deploying new enforcement resources.[20] Further, these estimates include a substantial downward adjustment for diminishing marginal returns, based on the view that the additional revenue potential of investments in the agency declines as more investments are made. While this is certainly true in theory, in practice an agency that has an audit rate of essentially zero in areas of high complexity where evasion is rampant has a ways to go before hitting diminishing returns to new dollars invested.

Additionally, the way government models assess the revenue impact of IRS investments focuses only on the returns to new enforcement dollars, with the implicit assumption that the IRA's investment in taxpayer service and modernized information technology will have no impact on taxpayer compliance. It seems intuitive that, for example, because the IRS was able to answer 87% of the calls that it received this year, thanks to new IRA resources, it has been able to help more taxpayers than last year, when it answered just 13% of the phone inquiries it received. And yet the compliance benefits from such investments are counted as zero in official tallies.[21]

Further, improved technology will allow the IRS to make better use of information it receives and make more efficient choices when deploying new resources. For example, the IRS today is not making full use of the data it receives from the Foreign Account Tax Compliance Act (FATCA) on offshore bank account holdings, because it does not have the IT capacity needed to

[19] Internal Revenue Service. 2022. "Congressional Budget Justification & Annual Performance Report and Plan."
[20] As one datapoint, as Treasury Inspector General for Tax Administration Russell George has pointed out in the past, an extra hour spent auditing a taxpayer who makes $5 million or more annually generates thousands of dollars (his 2021 estimate was over $4,500). See U.S. Congress. Senate. Committee on Finance. Closing the Tax Gap: Lost Revenue From Noncompliance and the Role of Offshore Tax Evasion Hearing before the Subcommittee on Taxation and IRS Oversight. 117th Cong., 1st sess., May 11, 2021.
[21] Prior academic work that taxpayers respond to agency-provided information services by increasing compliance, see, e.g. McKee, Michael, Caleb A. Siladke, and Christian A. Vossler. 2018. "Behavioral Dynamics of Tax Compliance When Taxpayer Assistance Services Are Available." *International Tax and Public Finance* which includes a summary of related literature. In a different setting, researchers found that IRS-provided information on penalties paid for lacking health insurance coverage increased insurance coverage and decreased mortality. Goldin, Jacob, Ithai Z Lurie, and Janet McCubbin. 2021. "Health Insurance and Mortality: Experimental Evidence from Taxpayer Outreach." *The Quarterly Journal of Economics* 136 (1): 1–49. This is an area where more research, especially following the IRA's investment, will be valuable.

absorb and deploy this data.[22] This is why the agency's focus on "maximizing data utility," detailed in the recently released IRS Strategic Operating Plan, is of such import.[23]

The largest driver of the difference between our and official scorekeepers' estimates has to do with our view of the importance of behavioral changes when taxpayers become aware that there are more tax police on the IRS beat. In the past, CBO has included only direct effects in its revenue estimates.[24] It recently began thinking about the role of behavioral effects, but concluded these were small in magnitude.[25] We believe, on the basis of past empirical work on this question, that the magnitude is significantly larger.[26]

Taxpayer behavior is impacted by IRS enforcement efforts in two ways. First, there is a self-deterrent effect: Taxpayers who make errors that the IRS identifies are unlikely to repeat them in future years. Second, there is a community deterrent effect: Taxpayers who observe a well-resourced IRS are more likely to follow the laws on the books. In the same way that a state trooper on the highway median encourages driving within the speed limit, improved IRS enforcement efforts encourage compliance with the tax laws. Treasury has previously stated that deterrent effects are likely three times the size of direct effects.[27] Yet our estimates adopt a very conservative deterrence factor of just one, essentially equaling the size of the direct effects measured by increased revenue collection from enforcement actions such as audits.

So, our $480 billion estimate of the net gains from IRA enforcement activities strikes us as more likely to be an underestimate than an overestimate of how much the IRS investment will add to the fisc in the decade ahead. Treasury's 3-to-1 deterrence factor would raise the revenue collected over the course of the next decade to more like $1 trillion, in line with prior academic estimates of the large returns to the IRS modernization efforts.[28]

The importance of this fiscal moment provides greater urgency to the IRA's historic investment in the IRS, and it also reflects the importance of accurately assessing the revenue potential of the long-term investment that Congress has authorized. For example, in the context of debt ceiling negotiations, some have proposed rescinding the IRA's investment in the agency, citing the inaccurate view that increased enforcement efforts will inevitably cause an uptick in burden for ordinary taxpayers.

I believe it is important to appreciate how much progress has been made by investing in the IRS—and also how much there is to lose from defunding the agency as some have

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[22] U.S. Government Accountability Office. 2019. "Foreign Asset Reporting: Actions Needed to Enhance Compliance Efforts, Eliminate Overlapping Requirements, and Mitigate Burdens on U.S. Persons Abroad."
[23] Internal Revenue Service. 2023. "Internal Revenue Service Strategic Plan."
[24] Congressional Budget Office. 2020. "Trends in the Internal Revenue Service's Funding and Enforcement."
[25] Swagel, Phil, and Congressional Budget Office. 2021. "The Effects of Increased Funding for the IRS."
[26] See, e.g. Boning, W.C., Guyton, J., Hodge, R., & Slemrod, J. 2020. "Heard it through the grapevine: The direct and network effects of a tax enforcement field experiment on firms." Journal of Public Economics 190(3-4): 104261
[27] Internal Revenue Service. 2019. "Program Summary by Budget Activity."
[28] See, e.g. Sarin, Natasha, and Lawrence Summers. 2020. "CBO Recognizes, but Understates, Potential of Tax Compliance Efforts." *Tax Notes*, July 20, 2020; Rossotti, Charles and Fred Forman. 2020. "Recover $1.6 Trillion, Modernize Tax Compliance and Assistance," *Tax Notes,* March 2, 2020.

recommended. The same will be true in the context of appropriations conversations in the years ahead: If this mandatory funding has to be deployed to plug shortfalls in ongoing year-to-year operations rather than on modernization efforts, this will bear meaningfully on the revenues that the IRS is ultimately able to collect.

To be sure, the success of the IRS in collecting the revenue we estimate from a robust attack on the tax gap is not a given. The agency will have to deploy these resources and modernize in such a way that it is able to collect from sophisticated taxpayers who have at their disposal significant resources and the assistance of a bevy of tax advisors to continue to skirt the rules. It will need to recruit new types of talent— partnership law experts, data scientists, economists, technologists— to quickly ramp up complex enforcement efforts. In the years ahead, it will be imperative for Congress, in its oversight capacity, to continue to monitor the progress of the agency and help to course correct as modernization efforts get underway.

But it is also important not to understate the historic investment that you have made in the IRS— an investment in the fiscal sustainability of our nation's finances that it is imperative to preserve and supplement, rather than diminish, in the years ahead.

4. *Investing in the IRS will Create a More Equitable Tax System*

Investing in a 21st century tax administrator helps important tax policy goals beyond revenue. Perhaps even more important are efforts to address the deep inequities of a tax system that does not have resources in place to police evasion by a select few.

Regular American taxpayers—the vast majority of your constituents—earn wages and find their taxes automatically withheld, so generally they pay their tax obligations on that income in full: Compliance rates are 99% on wages and salary income. And yet opaque sources of income have compliance rates of around 50%—and these types of income are disproportionately earned by the most sophisticated and high-income taxpayers.[29] This creates a two-tiered tax system where most Americans today pay all that they owe, but some do not.

Most Americans feel that some corporations and wealthy people do not pay their fair share.[30] They are right to feel that way: They do not. And they will not, until the IRS has the resources that it needs to pursue noncompliance so sophisticated taxpayers that choose to evade their liabilities bear costs that are sufficient to deter future malfeasance. Addressing evasion will alleviate a tax on compliant taxpayers that arises from the fact that future government funding needs that result in tax increases are borne only by the population that is law-abiding. It will also remove a competitive disadvantage from our nation's economy, where those who are civically responsible and pay their taxes in full can be undercut by competitors who choose to evade and pocket tax savings.

[29] Internal Revenue Service. 2022. "Federal Tax Compliance Research: Tax Gap Estimates for Tax Years 2014-2016."

[30] Oliphant, J. Baxter. 2023. "Top Tax Frustrations for Americans: The Feeling That Some Corporations, Wealthy People Don't Pay Fair Share." Pew Research Center. April 7, 2023.

There is a related benefit to the IRS's enforcement efforts that is perhaps counterintuitive at first. For honest taxpayers, the impact of an IRS with more compliance resources will be a lower burden associated with enforcement activities—not a higher one. Historically, with outdated technology and blunt enforcement tools, the IRS has struggled to separate taxpayers who have complied with their tax obligations from those who have not. But with improved data, the agency will be able to gain a more fulsome picture of taxpayer behavior, and thus identify discrepancies, in a way that it simply cannot today. This means the likelihood of an audit for a compliant taxpayer will go down, not up, in the years ahead.

It will be on the IRS to show how taxpayer burden is decreased, but the likelihood of being wrapped up in a costly enforcement process should decline as the agency is better able to target scrutiny where it belongs—on high-income evaders, as opposed to those who are fully compliant with their tax obligations today.

Given that the IRS touches nearly every household and business each year, I believe strongly that recent investments in the agency will meaningfully improve trust in the tax administrator in ways that are consequential for the IRS and the federal government writ large. A demonstrably more equitable system of tax administration has the virtue proving the value and importance of good government to the American populace.