



U.S. SENATE COMMITTEE ON

Finance

SENATOR CHUCK GRASSLEY, OF IOWA - CHAIRMAN

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Opening Statement of Charles E. Grassley, Chairman
“The \$350 Billion Question: How to Solve the Tax Gap”
April 14, 2005

Today is April 14th, the day before tax day – April 15th. The eve before tax day is different than Christmas Eve – because taxpayers have no choice on whether it is better to give or receive – we’re all giving. The eve before tax day is also different than New Year’s Eve because taxpayers are spending it with pencils and calculators instead of champagne and noisemakers, although I suspect some people will be making a lot of noise in frustration as they try to figure out their tax return and try to navigate the earned income credit or the alternative minimum tax. Unfortunately, while the strong majority of Americans seek to honestly pay the amount of tax they owe and not a penny more, there are many who are playing fast and loose. The problem of the tax gap is costing the nation over \$300 billion a year in taxes that are not voluntarily paid. I say to my colleagues that there are no easy solutions or answers here. I’m worried that too often senators feel that just a wave of the hand can solve this problem and put billions into the nation’s coffers. If it were that easy, we would have done it long ago.

We are fortunate to have the Comptroller General of the United States, Mr. Walker, here today whose statement says it very effectively that ending the tax gap will be “a challenging task” and that there is no single solution. It will take multiple efforts on different fronts to address this issue. As I said in last week’s hearing involving charities and charitable giving, the tax gap – like a loaf of bread – is made up of many different slices. We need to understand each one better and look at several ways to address them. But let me make it clear, we will work to address the tax gap – we owe nothing less to the millions of honest working families who find tax day the toughest day of the year. It is absolutely wrong that families have to tighten their belts and find new ways to keep the family budget balanced because others are not paying their fair share.

Today our witnesses will talk about under-reporting, underpayment, and non-filing of taxes, but we will also hear about cases of outright fraud. This is not a matter of taking advantage of complexities in the code or exploiting grey areas, but open intentional evasion of fuel excise taxes or totally false claims for refunds of fuel taxes never paid, on fuel that they never purchased. This type of fraud probably effects every American, because this is the dedicated tax money that builds America’s highways in every state of the nation. Every dollar these bad guys steal is a dollar that does not make your bridges safe or fix the potholes in your highways.

Last fall, as a part of the American Jobs Creation Act, we were able to enact an anti-fuel fraud package estimated to raise \$9.3 billion by shutting down many of the schemes involving fuel tax fraud. But criminals are creative and we continue to investigate schemes that range from large scale rings to mom-and-pop operations. Unfortunately, the higher the price of gasoline the more they

are motivated, by blending everything from used motor oil to discarded paint thinner and cleaning products by the billions of gallons to otherwise hide the true nature of the gasoline you may or may not get at the pump. Unfortunately, they not only steal from the U.S. government -- they steal from you, too. The tax gap is a \$350 billion dollar problem, and we are all working hard to find solutions for the American taxpayer.