



July 20, 2006

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

BAUCUS WILL BLOCK SOLOMON CONFIRMATION UNTIL TREASURY COMMITS TO TIMELY TAX GAP PLAN

Washington, DC – U.S. Senator Max Baucus (D-Mont.) today announced his intention to place a “hold” on the nomination of Eric Solomon to be Assistant Treasury Secretary for Tax Policy, citing the fact that neither Solomon nor Treasury Secretary Henry Paulson have agreed to meeting a September 30 deadline for a comprehensive plan to close the annual tax gap. The tax gap – the difference between taxes legally owed and taxes actually collected in a timely fashion – is currently an estimated \$345 billion per year, contributing to budget shortfalls and foreign borrowing by the U.S. government. Earlier this year, IRS Commissioner Mark W. Everson promised the Finance Committee an IRS strategy for fighting the tax gap by the end of this fiscal year. Baucus has asked new Treasury Secretary Henry Paulson, as well as Solomon, to help Everson keep that promise. Baucus and Solomon met today.



“I told Mr. Solomon at his confirmation hearing that it’s time for bold deeds on the tax gap, not just more words. A real Treasury Department commitment to collecting taxes owed and ending this annual \$345 billion shortfall at IRS is essential, and I cannot let this nomination move forward without a pledge for action on a real timetable,” said Baucus. **“Eric is a good public servant and certainly a tax expert, but the Treasury Department is not showing appropriate concern on this issue. There is no excuse for not providing a serious, comprehensive, and actionable strategy for closing the tax gap by the end of this fiscal year. We have no more time or money to lose.”**

At Solomon’s confirmation hearing earlier this month, Baucus expressed significant concern at the prospect of an insufficient Treasury Department commitment to closing the tax gap, saying the IRS has been “timid” in its approach. Former Treasury Secretary John Snow failed to provide a requested tax gap plan this year as well. Current administration proposals to fight the tax gap would collect only \$3.5 billion over 10 years – a mere one-tenth of one percent of the total tax gap.

Baucus has long advocated a balance of taxpayer service and enforcement to increase voluntary compliance with U.S. tax laws and close the tax gap. He recently authored amendments to Finance Committee tax legislation authorizing \$730 million in additional resources for specific customer service, enforcement, technology and management improvements recommended by the independent IRS Oversight Board as ways to close the tax gap.

To view the July 13 confirmation hearing for Eric Solomon, and to read committee and witness statements, visit <http://finance.senate.gov/sitepages/hearings.htm>.

THE TAX GAP – HOW IT GROWS

\$945,205,479

estimated amount by which
the annual tax gap grows daily

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.