



Committee On Finance

Max Baucus, Ranking Member

NEWS RELEASE

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Baucus Works to Close Tax Gap

Senator Concerned with Increase of Tax Non-Compliance Found in Report

(WASHINGTON, D.C.) Today, the Treasury Inspector General for Tax Administration (TIGTA) released an audit report on efforts by the Internal Revenue Service (IRS) to pursue millions of individual non-filer cases. The report is entitled "The Return Delinquency Notice Program Could Be Used More Effectively to Promote Filing Compliance and Reduce the Tax Gap." TIGTA found that the number of potential individual non-filer cases identified by the IRS has increased significantly while the amount of resources applied to the Return Delinquency Notice Program has declined sharply. While IRS has added more resources to this program since 2002, TIGTA reports that the ability of IRS to effectively promote filing compliance and collect taxes due has been adversely affected.

According to TIGTA, the number of potential individual non-filers identified by the IRS that are not sent a return delinquency notice increased from 4.8 million for tax year 1994 to 6.7 million for tax year 2001. More than 1.1 million of these 6.7 million unworked cases could have been expected to produce an average tax bill ranging from \$518 to \$5,309. By ignoring them the total cost to the Treasury could exceed \$1 billion. TIGTA also found that IRS failed to follow-up with many taxpayers who ignored the IRS notices. In the end, the IRS secured only half the number of delinquent returns in 2002 that it did in 1999.

"Even though IRS is trying to be more efficient and effective in pursuing non-filers, when we look at the statistics, the universe of non-filers is growing," Baucus said. "The IRS is making gains but losing ground. The agency simply has more work than it can handle, and as a result, honest taxpayers are shouldering more of the tax burden. Every week there are reports about compliance problems that undermine public confidence in the fairness of our tax system, and yet, Congress is preparing to cut the IRS's budget. That may be penny wise, but it's pound foolish. I have asked the IRS Commissioner for his recommendations for addressing the issues raised in the TIGTA report, including the need for legislation."

The full text of the report titled, can be found at:
<http://www.treas.gov/tigta/2004reports/200430127fr.pdf>

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