



Highlights of [GAO-04-972T](#), a testimony before the Committee on Finance, U.S. Senate

Why GAO Did This Study

Data sharing can be a valuable tool for federal agencies. The Internal Revenue Service (IRS) can use data from taxpayers and third parties to better ensure taxpayers meet their obligations. Likewise, Congress has authorized certain agencies access to taxpayer information collected by IRS to better determine eligibility for benefit programs.

GAO determined (1) the extent to which the IRS and Citizenship and Immigration Services (CIS) within the Department of Homeland Security share and verify data and (2) the benefits and challenges, if any, of increasing such activities. GAO also studied IRS's Offshore Voluntary Compliance Initiative (OVCI) to provide information on (1) the characteristics of the taxpayers who came forward under OVCI and (2) how those taxpayers became noncompliant.

What GAO Recommends

GAO is making a recommendation to the Secretary of Homeland Security and the Commissioner of Internal Revenue to assess the benefits and costs of data sharing to enhance tax compliance and improve immigration eligibility decisions. IRS and CIS officials generally agreed with GAO's recommendation.

GAO is not making recommendations on the OVCI program.

www.gao.gov/cgi-bin/getrpt?GAO-04-972T.

To view the full product, including the scope and methodology, click on the link above. For more information, contact Michael Brostek at (202) 512-9110 or brostekm@gao.gov.

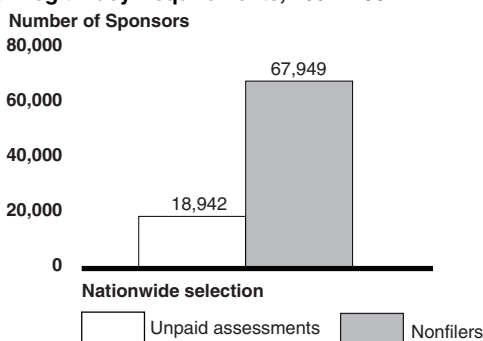
TAXPAYER INFORMATION

Data Sharing and Analysis May Enhance Tax Compliance and Improve Immigration Eligibility Decisions

What GAO Found

IRS and CIS do not share data with each other to ensure taxpayers meet their tax obligations or to determine immigration eligibility. IRS officials believe that data on taxpayers' income they currently use are more accurate and useful for enforcing tax law than CIS data. In a nationwide selection of 413,723 businesses applying to sponsor immigrant workers from 1997 through 2004, GAO found 19,972 (5 percent) businesses and organizations that were unknown to IRS. Information like this can be used to select taxpayers for audit or other enforcement efforts. Further, CIS officials believe IRS taxpayer data would be useful for immigration decisions. In our nationwide selection, GAO found that 67,949 (16 percent) businesses applying to sponsor immigrant workers from 1997 through 2004 did not file one or more tax returns. Failure to file a return could be relevant to a CIS adjudicator's decision about whether a business meets the financial feasibility (ability to pay wages) and legitimacy (proof of existence) tests for sponsoring an immigrant. For data sharing to occur, challenges must be overcome, including I.R.C. Section 6103's limitation on IRS's ability to share data with CIS and technological problems like the lack of automated financial data at CIS. Because the confidentiality of tax data is considered crucial to voluntary compliance, executive branch policy calls for a business case to support sharing tax data. IRS and CIS have not analyzed data sharing benefits and costs.

Businesses Sponsoring Immigrant Workers That May Not Have Met CIS Financial Feasibility or Legitimacy Requirements, 1997–2004



Source: GAO analysis

The OVCI program attempted to quickly bring taxpayers who held funds offshore illegally back into compliance while simultaneously gathering more information about them and the promoters of offshore schemes. Under OVCI, 861 taxpayers came forward and IRS received more than \$200 million in unpaid taxes, penalties, and interest. According to IRS data, OVCI applicants are a diverse group, with wide variations in income, geographic location, and occupation. Some applicants' noncompliance appears to be intentional, while others' appears to be inadvertent. Given this diversity, multiple compliance strategies may be needed to bring taxpayers holding money offshore back into compliance.