



Highlights of [GAO-06-100](#), a report to the Committee on Finance, U.S. Senate

Why GAO Did This Study

In 2000, federal agencies estimated they saved at least \$900 million annually through data sharing initiatives. 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 benefit eligibility.

In July 2004, we reported that data sharing between IRS and the United States Citizenship and Immigration Services (USCIS) has the potential to improve tax compliance as well as immigration eligibility decisions (GAO-04-972T). For this report, GAO determined (1) the potential benefits of data matching, and (2) the options and associated challenges.

What GAO Recommends

Congress may wish to consider (1) requiring businesses applying to sponsor immigrant workers to meet tax filing and payment obligations, and (2) authorizing a user fee to be retained by IRS to cover compliance-related costs. To improve immigration eligibility decisions, GAO recommends that USCIS, in consultation with the IRS, conduct a pilot data-sharing test utilizing taxpayer consents. IRS agreed and USCIS generally agreed with the pilot study. USCIS raised several issues that GAO generally believes should be addressed as part of the recommended pilot program.

www.gao.gov/cgi-bin/getrpt?GAO-06-100.

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.

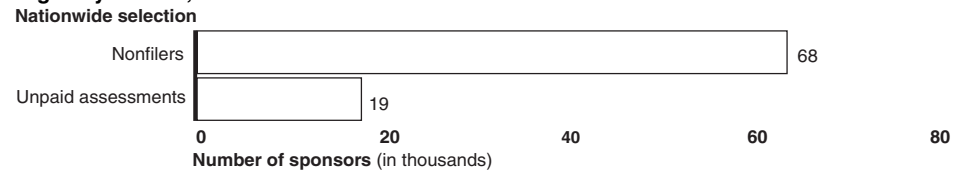
TAXPAYER INFORMATION

Options Exist to Enable Data Sharing Between IRS and USCIS but Each Presents Challenges

What GAO Found

Data sharing can help improve (1) tax compliance if businesses applying to sponsor immigrant workers are required to meet tax filing and payment requirements, and (2) the accuracy and timeliness of USCIS's immigration eligibility decisions if it obtained tax data from IRS to help ensure business sponsors meet eligibility criteria. As of December 2003, IRS databases showed 18,942 businesses (5 percent) applying to sponsor immigrant workers had \$5.6 billion in unpaid assessments. Of this amount, businesses were not in installment agreements with IRS or otherwise making payments on \$3.7 billion. If future business sponsors owe taxes and are required to meet their tax obligations, they would need to make arrangements with the IRS to come into compliance. Although USCIS officials acknowledge that no explicit prohibition exists in immigration laws against conditioning approval of employer applications on their tax compliance, USCIS officials said a statutory change is preferable because they have legal concerns about USCIS's authority to issue such a regulation absent specific authority. IRS data can help USCIS make more accurate eligibility decisions by better identifying businesses that may not have met eligibility criteria due to having unpaid assessments or not filing returns. In our nationwide selection, 67,949 of 413,723 (16 percent) business sponsors were in IRS's nonfiler database at the time of their application.

Businesses Sponsoring Immigrant Workers That May Not Have Met USCIS's Immigration Eligibility Criteria, 1997-2004



Source: GAO analysis of taxpayer and immigration data.

A variety of options is available to IRS and USCIS for establishing and implementing data sharing. An applicant-initiated data-sharing arrangement could be implemented under existing Internal Revenue Code authority through taxpayer consent, whereby taxpayers authorize IRS to disclose their information. USCIS then could verify applicant-provided data by obtaining tax returns or tax transcripts. Treasury guidance suggests a small-scale pilot using consents as a way to make the business case for continued access to taxpayer information. In general, the more that data sharing could be done electronically, the more efficient the data sharing could be. However, achieving electronic data sharing may take longer than paper-based processes due to legal, technological, and cost challenges. Further, if business sponsors need to come into compliance, net tax collections might not increase if collecting their taxes displaces other IRS work. Establishing user fees to cover data-sharing costs could be a way to fund data sharing, but IRS lacks the authority to collect and retain a user fee to cover compliance-related costs associated with data sharing.