

U.S. Senate Committee on Finance

For Immediate Release

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Grassley, Baucus Pledge to Study Key Report on Tax Gap, Seek Comments

WASHINGTON – Sen. Chuck Grassley, chairman of the Committee on Finance, and Sen. Max Baucus, ranking member, today pledged to give careful study to a new report suggesting ways to close the \$311 billion gap between taxes owed and collected. The report from the Joint Committee on Taxation came in response to the senators' request last February. The senators are interested in receiving public comment on the report by March 1, 2005.

Last year, the senators convened a hearing at which IRS Commissioner Mark Everson and other witnesses explained that the tax gap is a growing problem as some people embrace ways to skirt the rules and avoid payment.

“High-priced lobbyists won't be able to eat their eggs Benedict when they see this report,” Grassley said. “Its suggestions for possible ways to plug big leaks in tax compliance are important as we roll up our sleeves to deal with the deficit and address tax reform. The Finance Committee passed into law a number of post-Enron recommendations from the Joint Tax Committee to shut down tax shelters. These ideas plus our own work to go after abusive tax shelters recaptured more than \$100 billion for the Treasury. Today's report will get the Finance Committee's attention. While we won't embrace every recommendation, we'll give the report a close look. It's a matter of credibility. Law-abiding taxpayers shouldn't have to carry those who skirt the rules.”

Baucus said, “Noncompliance breeds disrespect for the tax system. And nonpursuit of noncompliance breeds resentment toward government. Law abiding taxpayers don't want to feel like chumps and they shouldn't have to wonder whether their government is fairly and effectively administering the tax laws. Up to this point, the government's response to combating noncompliance has not been commensurate with the serious nature of the problem. That needs to change and requesting the JCT report is but one of many steps the Committee is taking to improve compliance.

“Little attention is being paid to collecting taxes that are lawfully owed. IRS audits are few, billions of dollars in identified tax debts are going uncollected and tens of thousands of tax cheats known to the IRS are not even pursued.

“The challenge in reducing the nation's burgeoning tax gap requires strong leadership and prompt action. I appreciate the efforts taken by the Joint Committee on Taxation to develop recommendations for improving compliance. Many of JCT's proposals are simply common sense ideas. Others may be more controversial and will have to be examined carefully. Nevertheless, I am

glad to have their input. I intend to work with Chairman Grassley in a serious effort to restore the integrity of our tax system.”

Grassley said he was especially pleased to see the report’s extensive discussion about possible changes in the law governing non-profits and charitable donations. “The recommendations on charities build and expand on the Finance Committee’s bipartisan work and strengthen the case for reform,” Grassley said. “These recommendations should help to remove the rose-colored glasses that a lot of people use to view tax-exempt organizations. I note with interest the proposals on tax-exempt bonds. The Finance Committee has been studying tax-exempt bonds, and I’m pleased to have the benefit of the Joint Tax recommendations for consideration.”

The report is available at <http://www.house.gov/jct/>.