



U.S. SENATE COMMITTEE ON

Finance

SENATOR CHUCK GRASSLEY, OF IOWA - CHAIRMAN

<http://finance.senate.gov>

MEMORANDUM

To: Reporters and Editors
Re: New findings on size of tax gap
Da: Tuesday, March 29, 2005

Today the Internal Revenue Service reported in a preliminary estimate that between \$312 billion and \$353 billion in U.S. taxes went uncollected in the 2001 tax year, representing at least 15 percent of the amount due. The new research on the tax gap is above a previous estimate of \$311 billion of uncollected taxes. The tax gap is the difference between what taxpayers should pay and what they actually pay on a timely basis.

Sen. Chuck Grassley, chairman of the Committee on Finance, has been looking at ways to close the tax gap since convening a hearing to examine the problem in July 2004. In January, he received a report from the Joint Committee on Taxation suggesting ways to close the tax gap. Next, he plans to convene a Finance Committee hearing on April 14 to hear from the IRS commissioner on further recommendations for closing the gap. Grassley made the following comments on today's findings.

"I've said many times, taxpayers have to pay what they owe, not a penny more nor a penny less. It's unfair for some to comply and others to dodge. The causes for non-payment might be tax code complexity for some and outright cheating by others. Regardless of the cause, we have to fix this and stop making chumps out of those who pay their share. At my hearing on April 14, I plan to press the IRS commissioner for recommendations to close the tax gap. I'd like to see us make progress on legislation in this Congress. And remember, these findings are only for individuals, not corporations. Next we need to look at corporations and pass-through entities. We need a complete picture of the tax gap."