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UNITED STATES SENATE
ON THE TAX GAP
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Introduction

Mr. Chairman and members of the subcommittee, I am pleased to be here today to discuss the tax gap with you. Additionally, I would like to provide you with an overview of the steps we have been taking to reduce the tax gap and to provide you with a summary of efforts we have taken to deal with abuses of the tax system. The tax gap is the difference between the amount of tax imposed on taxpayers for a given tax year and the amount that is paid voluntarily and timely. The tax gap represents, in dollar terms, the annual amount of noncompliance with our tax laws.

This is the third time this year that I have testified on this subject. I appreciate the focus that Congress has given to this issue. The recent disaster recovery and restoration efforts taken in response to the devastating effects of Hurricanes Katrina and Rita serve to further highlight the importance of collecting the taxes that are lawfully owed. An efficient tax collection system is essential to the efficient operation of government, including appropriate Federal responses to natural disasters.

Early Estimates

Today, I will share with you results of our preliminary analysis of the compliance data recently compiled by our National Research Program (NRP). The bottom-line results are that although American taxpayers remain substantially compliant with the tax laws, the tax gap remains quite large in dollar terms. The results for Tax Year 2001 indicate that individual income tax reporting compliance may have gotten a little worse, but not alarmingly so, since 1988, the last time we performed a similar study.

Historically, there have been three types of income that are not well represented in compliance measurement audits (these are audits that are representative of the population and as thorough as possible): informal supplier income, tip income, and other unreported income that is not detected by auditors. Our detailed analysis of the NRP data will be supplemented with other data and special analyses to account more accurately for these three income types. These supplemental analyses in the past have taken several years to complete after the audit data have become available. We are applying new technologies this time, and we expect to have detailed, more reliable estimates of the tax gap available by the end of this year.

In the meantime, we have developed a set of preliminary updates to our tax gap estimates based on an initial analysis of the NRP data. We derived these estimates using a simple approach that reflects the historical magnitudes of adjustments made to the raw audit data to account for informal suppliers, tips, and other undetected noncompliance.

Our preliminary updates employ a range of estimates, reflecting different assumptions and levels of certainty. To give an idea of the magnitudes involved, our old projection of the overall Tax Year 2001 gross tax gap (i.e., for all types of tax, and all forms of noncompliance) was $311 billion, based on data from the 1980s and projected forward. Our updated estimates, incorporating data from the recently completed study, range from $312 billion to $353 billion. The range for the net tax gap (i.e., the amount of the tax gap left after enforcement efforts and collection of late payments) is from $257 billion to $298 billion. The corresponding noncompliance rate associated with our old projection was 14.9 percent, while the new estimates range from 15 percent to 16.6 percent. I want to emphasize at this stage in our analysis that these ranges are not upper and lower bounds; our final estimates could conceivably lie outside that range, and it is even more likely that our estimates for specific components of the tax gap (e.g., specific line items) will change significantly once we complete the detailed analysis. The range of estimates we are providing today also does not represent a statistically-based confidence interval, although we do plan to include such intervals with our comprehensive estimates at the end of the year.

Noncompliance takes three forms: not filing required returns on time (filing noncompliance); not reporting one's full tax liability even when the return is filed on time (reporting noncompliance); and not paying by the due date the full amount of tax reported on a timely return (payment noncompliance). We have separate tax gap estimates for each of these three types of noncompliance. Our preliminary estimates of underreporting by individuals appear to be consistent with previous studies, indicating that the underreporting portion is about 80 percent of the overall tax gap, with nonfiling and underpayment splitting the remaining 20 percent.

The National Research Program

Before providing more detail about these new estimates, I want to put them in context. I will start by summarizing the features of the new NRP data upon which the estimates are based, and then explain what the estimates do and do not include.

The NRP data that were ready for analysis in early January represent the first comprehensive reporting of compliance data since Tax Year 1988. We conducted several much narrower studies since 1988, but nothing that would allow us to update our estimates of the tax gap. All of our estimates of the tax gap in recent years have been rough projections that assume no change in compliance rates among the major tax gap components; the magnitude of these projections merely reflected growth in tax receipts in these major categories. Like the compliance studies of the past, the NRP was designed to allow us to meet certain objectives: to estimate the overall extent of reporting compliance among individual income tax filers, and to update our audit selection formulas. I will focus today on the first of these objectives.

Regular audits have two important shortcomings as a basis for compliance measurement. First, returns selected for regular audits are not intended to be representative. Second, the audits are not exhaustive, but instead focus on issues that appear to be most in need of checking. In the past, IRS overcame these shortcomings by conducting thorough, exhaustive audits on a representative sample of returns. From the early 1960s through 1988 we periodically conducted the Taxpayer Compliance Measurement Program (TCMP), consisting of line-by-line audits of random samples of returns, which provided us with information on compliance trends, and allowed us to update audit selection formulas. By the 1990s, however, it became apparent that we needed to find a less intrusive way to measure compliance with the tax laws. The National Research Program grew out of that need, and introduced several innovations designed to reduce the burden imposed on taxpayers whose returns were selected for the study.

The first NRP innovation was to compile a comprehensive set of data to supplement what was reported on the selected returns. The sources of the “case building” data included third-party information returns from payers of income (e.g., Forms W-2 and 1099) and prior-year returns filed by the taxpayers. Also, for the first time we added data on dependents from various government sources, as well as data from public records (e.g., current and prior addresses, real estate holdings, business registrations, and involvement with corporations). Together, these data reduced the need to ask taxpayers for information, with some of the selected taxpayers not needing to be contacted at all by the IRS. In effect, these data allowed us to focus our efforts where the return information could not otherwise be verified. This pioneering approach was so successful it is being expanded into our regular operational audit programs.

A second major NRP innovation was to introduce a “classification” process, whereby the randomly selected returns and associated case-building data were first reviewed by experienced auditors, referred to as classifiers, who identified the best way to handle each return in the sample. In this way, each return was either: (1) accepted as filed, without contacting the taxpayer at all (though sometimes with minor adjustments noted for research purposes); (2) selected for correspondence audit of up to three focused issues; or (3) selected for an in-person audit where there were numerous items that needed to be verified. In addition, the classifiers identified compliance issues that the auditors had to evaluate, though the examiners had the ability to expand the audit to investigate other issues as warranted.

Other NRP innovations included streamlining the collection of data, providing auditors with new tools to detect noncompliance, and involving stakeholders (including, representatives of tax professional associations) in the design and implementation of the study. Moreover, a more focused selection process resulted in the NRP sample including around 46,000 returns—somewhat fewer than previous compliance studies, even though the population of individual tax returns had grown over time. Clearly, the NRP approach was much less burdensome on taxpayers than the old TCMP audits, which examined every line item on every return. At the same time, we expect that the data collected through the NRP will be about the same quality as that collected under TCMP. A portion of the sample was designed to allow us to test the reliability of this methodology.

The new NRP data relate only to the accuracy of timely filed individual income tax returns. We are therefore able to use the data to update our estimates of just the individual income tax underreporting gap and the self-employment tax underreporting gap. All other components of our tax gap estimates remain the same projections to Tax Year 2001 that we have been using for the last few years. It is important to emphasize that the other components of the overall individual income tax gap remain unchanged. Specifically, we do not yet have new estimates for other taxes such as the corporate income tax or the estate tax. Moreover, we do not yet have a new estimate for the individual income tax nonfiling gap, though we anticipate having an update later this year. We are also not changing our Tax Year 2001 figures for the underpayment gap, because these are actual amounts tabulated from our Master File records rather than estimates or projections. (The underpayment gap is the one exception to the rule that the tax gap cannot be observed, and therefore must be estimated. That is because the underpayment gap is the amount that is reported on timely filed returns, but is not paid on time—information that is available on IRS records.)

Distinguishing the Tax Gap From Related Concepts

The tax gap is not the same as the so-called "underground economy," though there is some overlap (particularly in the legal-sector cash economy). For example, the tax gap does not include the illegal sector of the economy, and the underground economy does not include tax noncompliance problems such as overstated deductions or improper filing status.

Equally important, the tax gap does not arise solely from tax evasion or cheating. It includes a significant amount of noncompliance due to complexity of the tax laws that results in ignorance, confusion, and carelessness. This distinction is important, though at this point, we do not have sufficiently good data to help us know how much arises from willfulness as opposed to innocent mistakes.

The New Estimates

Our preliminary estimates of the individual income tax underreporting gap based on the new NRP data range from $150 to $187 billion, representing about half of our overall tax gap estimates of $312-$353 billion. This is consistent with the fact that the individual income tax accounts for about 46 percent of all tax receipts. Moreover, these figures are roughly in line with our earlier projections from compliance data compiled in the 1980s, though they suggest that reporting compliance among individuals has worsened slightly since Tax Year 1988. It is important to note, however, that the data represent a single point in time for Tax Year 2001 and so cannot tell us whether compliance trends today are improving or getting worse.

Preliminary NRP-Based Tax Gap Estimates, Tax Year 2001

Tax Gap Component	*Gross Tax Gap ($ billions)*	*Share of Total Gap*
Individual income tax underreporting gap	**150-187**	**48-53%**
Understated non-business income	42-57	13-16%
Understated net business income	83-99	27-28%
Overstated adjustments, deductions, exemptions, and credits	25-30	8-9%
Self-Employment tax underreporting gap	**51-56**	**16%**
All other components of the tax gap (not updated yet)	111	
Total Tax Gap	**312-353**	
Note: Detail does not add to totals due to rounding		

As in previous compliance studies, the NRP data suggest that just over half ($83-99 billion) of the individual underreporting gap came from understated net business income (unreported receipts and overstated expenses). About 30 percent ($42-$57 billion) came from underreported non-business income, such as wages, tips, interest, dividends, and capital gains. The remaining $25-$30 billion came from overstated subtractions from income (i.e., statutory adjustments, deductions, and exemptions), and from overstated tax credits.

The corresponding NRP-based preliminary estimates of the self-employment tax underreporting gap range from $51 to $56 billion, and account for about one sixth of the overall tax gap. Self-employment tax is underreported primarily because self-employment income is underreported for income tax purposes. Taking individual income tax and self-employment tax together, then, we see that individual underreporting contributes about two-thirds of the overall gross tax gap.

Early indications are that the sections of the Form 1040 where the most noncompliance occurs have not changed dramatically since the last compliance study in 1988. The amounts least likely to be misreported on tax returns are subject to both third-party information reporting and withholding, and are therefore the most "visible" (e.g., wages and salaries). Amounts subject to third-party information reporting, but not to withholding (e.g., interest and dividend income), exhibit a somewhat higher misreporting percentage. Amounts subject to partial reporting by third parties (e.g., capital gains and mortgage interest payments) have a still higher misreporting percentage. And, as expected, amounts not subject to withholding or to third-party information reporting (e.g., sole proprietor income, and the "other income" line on the 1040) are the least "visible" and, therefore, are most likely to be misreported.

We expect to be able to provide good estimates of these misreporting rates for each line of the 1040 once we complete our detailed analysis of the NRP data by the end of this year. In the meantime, early indications are that reporting rates have remained fairly stable, with a few exceptions. First, the underreporting of net income from "flow-through" entities such as partnerships and S-corporations appears to be on the rise. This is consistent with what we have been finding in our regular audits, as taxpayers use increasingly sophisticated abusive schemes to reduce or eliminate their tax liability. With this in mind, we are conducting our next NRP reporting compliance study on flow-through entities—not just to monitor compliance in this area, but also to help develop better audit selection methods and other creative interventions. Second, the reporting of sole proprietor income and expenses (e.g., gross receipts, bad debts, and vehicle expenses) appears to have worsened. With transactions that are less "visible" to the IRS, and with very low audit rates by historical standards, some sole proprietors may have become emboldened to cut corners on their taxes. Other small business owners may simply be swamped by the cost and complexity of meeting their tax obligations and other business requirements. Third, early indications are that taxpayers in 2001 tended to overstate their deductions somewhat more than in 1988, the last tax year for which we have comparable compliance data. Like most business income and expenses, many of these deductions are not subject to third-party information reporting.

What We Are Doing Today to Address the Tax Gap

Most Americans pay their taxes honestly and accurately, and have every right to be confident that when they do so, their neighbors and competitors are doing the same. Let me provide an overview of the steps we have taken recently to bolster this confidence, turning briefly to each of our four Servicewide enforcement priorities.

Our first enforcement priority is to discourage and deter noncompliance, with emphasis on corrosive activity by corporations, high-income individuals, and other contributors to the tax gap. The focus here will be Fiscal Year 2004 data because we are still compiling data for the just-completed Fiscal Year 2005.

- In 2004, audits of high-income taxpayers jumped 40 percent from the year before. We audited almost 200,000 high-income individuals last year – double the number from 2000.
- Overall, audits for individuals exceeded the one million mark last year, up from 618,000 four years earlier.
- In 2004, the number of audits of the largest businesses – those with assets of $10 million or more – finally increased after years of decline.

In addition to traditional audits, the IRS also uses computer matching of Forms W-2 and 1099s in its Information Returns Program, or document matching as it is often called. This technique is very effective for verifying income items reported on individual returns against that reported by third parties, including wages, interest, dividends and miscellaneous payments. During FY 04, the IRS closed more than 3.7 million document matching cases and collected about $2.7 billion as a result of these taxpayer contacts.

The centerpiece of our enforcement strategy is combating abusive tax shelters, both for corporations and high-income individuals. I want to discuss two important initiatives in this regard. These deal with the Son of Boss tax shelter and executive stock options.

We have continued a program of settlement offers for those who entered into abusive transactions in the past but would like to get their problems behind them. In May of 2004, we made a settlement offer regarding the Son of Boss tax shelter, a particularly abusive transaction used by wealthy individuals to eliminate taxes on large gains, often in the tens of millions of dollars. In this program, for the first time, the IRS required a total concession by the taxpayer of artificial losses claimed and, for most taxpayers, required a payment of penalties. I am pleased with the response to the offer. So far more than $3.7 billion in taxes, interest and penalties have been collected from the more than 1,200 taxpayers who are participating in the settlement initiative. The average taxpayer payment was about $2.9 million, with 22 taxpayers paying more than $20 million each. Processing of individual settlements continues.

Based on disclosures we have received from promoter investigations and from investor lists from Justice Department litigation, we have determined that over 1,800 investors participated in Son of Boss. We have begun our enforcement follow-up with the more than 600 investors who were ineligible or elected not to participate in the settlement initiative.

In February 2005, we announced a second important settlement initiative – this one relating to a transaction that involved executive stock options. This abusive tax transaction involved the transfer of stock options or restricted stock to family-controlled entities. These deals were done for the personal benefit of executives, sometimes at the expense of public shareholders. This shelter was not just a matter of tax avoidance but, in some instances, raises basic questions about corporate governance. Again, the settlement offer is a tough one: full payment of the taxes plus a penalty.

A noteworthy point about the stock option settlement offer is that our actions in this matter were closely coordinated with, and supported by, the Securities and Exchange Commission and the Public Company Accounting Oversight Board.

Our settlement initiatives and increased audits have sent a signal to taxpayers: the playing field is no longer as lopsided as it once was. Non-compliant taxpayers might have to pay the entire tax, interest, and a stiff penalty. A taxpayer might have to wrestle with questions like “how much am I going to have to pay the lawyers and expert witnesses to litigate this thing?” Moreover, going to court is a public matter. Damage to one’s reputation is a potential factor. Many wealthy individuals, otherwise seen as community leaders, may not want to be identified as paying less than their fair share in taxes.

Another example of cooperation in the battle against abusive shelters is in the international arena. A year ago, I announced the formation of what has come to be known as the Joint International Tax Shelter Information Centre. Since Labor Day 2004, we have had an operational task force of personnel from Australia, Canada, the United Kingdom, and the U.S. working together on-site here in Washington. We are exchanging information about specific abusive transactions. Results to date are promising. Thus far, we have uncovered a number of transactions which, but for the Centre, we would have unraveled only over a number of years, if ever. It makes sense that we continue to work with other countries because, in this increasingly global world, we are up against what is, in essence, a reinforcing commercial network of largely stateless accounting firms, law firms, investment banks, and brokerage houses.

We have also worked jointly with the Department of Justice to obtain civil injunctions against abusive tax scheme promoters and abusive return preparers. The Government stepped up use of civil power in 2001 to prohibit promoters from selling illegal tax schemes on the Internet, at seminars or through other means. Currently the courts have issued permanent or preliminary injunctions against more than 130 abusive scheme promoters and abusive return preparers. An additional 50 suits have been filed by Justice seeking injunction action – 33 against scheme promoters and 17 against return preparers. Injunctions issued have involved schemes such as:

- Using abusive trusts to shift assets out of a taxpayer's name while retaining control
- Misusing "corporation sole" laws to establish phony religious organizations
- Using frivolous "Section 861" arguments to evade employment taxes
- Claiming personal housing and living expenses as business expenses
- Filing tax returns reporting "zero income"
- Misusing the Disabled Access Credit

In addition, the IRS has over 1,100 promoter and return preparer investigations ongoing in the field; and individual examinations are being conducted on thousands of scheme participants. Most of the investigations and examinations are being conducted by the IRS Small Business/Self-Employed (SB/SE) Division.

Our second enforcement priority is to assure that attorneys, accountants, and other tax practitioners adhere to professional standards and follow the law.

Our system of tax administration depends upon the integrity of practitioners. Altogether, there are approximately 1.2 million tax practitioners and return preparers. The vast majority of practitioners are conscientious and honest, but even honest tax professionals suffered from the sad and steep erosion of ethics in recent years by being subjected to untoward competitive pressures. The tax shelter industry had a corrupting influence on our legal and accounting professions.

We have done quite a bit since March 2004 to restore faith in the work of tax professionals. We have strengthened regulations governing the standards of tax practice to discourage the manufacturing of bogus legal opinions on the validity of tax shelters. The Treasury and IRS standards set forth rules governing what does and does not qualify as an independent opinion about a tax shelter.

Last year, the government won a series of court opinions on privilege. The cases confirm that promoters who develop and market generic tax shelters can no longer protect the identity of their clients by hiding behind a false wall of privilege.

Abusive tax shelters often flourished because penalties were too small. Some blue chip tax professionals actually weighed potential fees from promoting shelters, but not following the law, against the risk of IRS detection and the size of our penalties. Clearly, the penalties were too low. They were no more than a speed bump on a single-minded road to professional riches.

But these speed bumps have become speed traps. Last fall, Congress enacted and the President signed into law the American Jobs Creation Act of 2004. The legislation both created new penalties and increased existing penalties for those who make false statements or fail to properly disclose information on tax shelters. Under the new law, the IRS can now impose monetary penalties not just on tax professionals who violate standards, but also on their employers, firms, or other entities if those parties knew, or should have known, of the misconduct.

Our third enforcement objective is to detect and deter domestic and off-shore based criminal tax activity and related financial criminal activity.

In Fiscal Year 2004, the IRS referred more than 3,000 cases to the Justice Department for possible criminal prosecution, nearly a 20 percent jump over the previous year. We continue our active role in the President's Corporate Fraud Task Force. We are going after promoters of tax shelters – both civilly and, where warranted, criminally. This tactic is a departure from the past. Previously, during a criminal investigation, all civil activity came to a halt. The result was that our business units were reluctant to refer matters for criminal investigation lest they lose their traditional turf. But, we are now moving forward on parallel tracks with the Department of Justice. We have a number of important criminal investigations underway. The enforcement model is changing.

Our fourth enforcement priority is to discourage and deter noncompliance within tax-exempt and governmental entities, and misuse of such entities by third parties for tax avoidance purposes.

Consider, for example, tax-exempt credit-counseling agencies. These organizations are granted tax-exempt status because they are supposed to be educating and assisting people who have credit or cash flow problems. Unfortunately, too many of these organizations, instead, operate for the benefit of insiders or are improperly in league with profit-making companies. We are carefully scrutinizing these organizations. We currently have half the tax-exempt credit counseling industry -- in terms of asset size -- under examination.

Some shelter promoters join with tax-exempt organizations to create abusive shelters. The organization receives a fee from the taxpayer who is taking advantage of its tax-free status. That is an abuse of the tax exemption that our nation bestows upon charities.

It is heartening to see leading members of the non-profit community taking steps to address abuses. I particularly want to salute the Independent Sector – which earlier this year delivered a constructive report to the Senate Finance Committee. The report states that the "government should ensure effective enforcement of the law" and calls for tougher rules for charities and foundations. The report calls for stronger action by the IRS to hold accountable charities that do not supply accurate and timely public information. I encourage the accounting, legal, and business communities to be as enthusiastic about confronting abuses and the erosion of professional ethics as the non-profit community. An interesting point to note is that the report supports mandatory electronic filing of all tax returns for non-profits.

The threat to the integrity of our nation's charities is real and growing. At the IRS, we take it very seriously. We are augmenting our resources in the non-profit area. As of the end of last month, we have increased the number of our personnel who audit tax-exempt organizations by approximately 30 percent from two years earlier. If we do not act expeditiously, there is a risk that Americans will lose faith in our nation's charitable organizations. If that happens, Americans will stop giving and those in need will suffer.

As we move forward with these priorities, we will leverage our success to achieve greater results within our FY 2006 budget request.

President's FY 2006 Budget Seeks Increase in Enforcement to Address Growing Tax Gap

The President's fiscal year 2006 budget requests $10.679 billion for the IRS, a 4.3 percent increase over the fiscal year 2005 enacted level. This request represents a 1 percent decrease in Taxpayer Service and a 2 percent decrease in Business Systems Modernization, but an 8 percent increase in enforcement.

This budget includes $265 million for initiatives aimed at enhancing the enforcement of the tax laws. This request is above the increases to fund the pay raise and other cost adjustments ($182 million), for a total of $446 million for new enforcement investments and cost increases. It is important Congress fully fund these cost increases and new enforcement investments. The President's budget proposal to fund them as a program integrity cap adjustment reflects the importance of this investment to the Administration.

Currently, we do not know what our budget will be for fiscal year 2006. We are very pleased that the Senate has fully funded the President's request. The House bill provides a bit less funding, however, at the level of $10.56 billion.

We will use any additional funds for enforcement in several key ways to combat the tax gap. These investments will yield substantial results. IRS enforcement activities, coupled with late payments, recover about $55 billion of the tax gap, leaving a *net* tax gap of between $257 billion and $298 billion.

Since 2001, the tax year covered by the NRP, we have taken a number of steps to bolster enforcement. We increased our enforcement revenues by nearly 28 percent from $33.8 billion in 2001 to $43.1 billion in 2004. Audits of high-income taxpayers — those earning $100,000 or more — topped 195,000 in fiscal year 2004, which is more than double those conducted in 2001. Total audits of all taxpayers topped 1 million last year -- a 37 percent jump from 2001.

We are ramping up our audits on high-income taxpayers and corporations, focusing more attention on abusive shelters and launching more criminal investigations. As discussed earlier, we have collected more than $3.7 billion so far in the settlement initiative for Son of Boss, a particularly abusive tax shelter.

The IRS yields more than four dollars in direct revenue from its enforcement efforts for every dollar invested in its total budget. In FY 2004, we brought in a record $43.1 billion in enforcement revenue – an increase of $5.5 billion from the year before, or 15 percent.

Beyond the direct revenues generated by increasing audits, collection, and criminal investigations, our enforcement efforts have a deterrent effect on those who might be tempted to skirt their tax obligations.

The nearly 8 percent increase for enforcement activities in the Administration's 2006 IRS budget request, and Senate Appropriations Committee Report would increase audits of corporations and high-income individuals, as well as expand collection and criminal investigation efforts.

Program Performance

If we received the full funding provided in the President's fiscal year 2006 budget request and the Senate Appropriations Committee Report, we would anticipate the following results:

- Increase in field examinations for high-income individuals with complex returns; significant increase in collection cases processed; and closing of over 40 percent more delinquent balance-due accounts in FY 2008 than in FY 2004;
- Nearly double the audit coverage for individuals with income between $250,000 and $1 million, from 1.5 percent in FY 2004 to 2.8 percent in FY 2008;
- Auditing 15 percent more individuals earning above $1 million, from 3.4 percent projected for FY 2004 to 3.9 percent in FY 2008;
- Double the audit coverage for mid-size corporations, from 7.6 percent in FY 2004 to 16 percent in FY 2008; and
- Increased efforts to deter abusive tax shelters among corporations

Conclusion

On the whole, our system of self-assessment of tax liabilities appears to be working as well as it did in 1988. However, the new compliance data suggest that some types of income may be less accurately reported now than in the past. It is clear that consistent efforts to keep the complexity and unnecessary burden of the tax system to a minimum, to provide the excellent service that the taxpaying public deserves, and to maintain a strong and well-targeted enforcement presence are necessary to improve compliance rates.

While IRS enforcement efforts have lagged in recent years, that is now changing. We will continue to improve service and respect taxpayer rights. But we will also enforce the law. We won't relax until taxpayers who are unwilling to pay their fair share see that that is not a worthwhile course to follow.

Thank you very much for the opportunity to discuss the tax gap and our efforts to combat it. I am happy to take your questions.