

Thank you, Mr. Chairman, for holding this hearing. Welcome to our witnesses.

Each year, the amount of tax that is paid voluntarily and on a timely basis does not match the amount of tax owed by taxpayers for that year. The difference between these two amounts is referred to as the “tax gap.”

In February of this year, the IRS estimated that the tax gap was a gross \$345 billion and a net \$290 billion in Tax Year 2001, an amount larger than the projected deficit for the current fiscal year.

Our goal should be to collect as much of these owed tax revenues as possible without unduly burdening those taxpayers who are doing their level-best to comply with the law, which, I believe is the vast majority of taxpayers in this country.

However, for any numbers of reasons—the complexity of the tax code, haphazard record-keeping, math errors—some taxpayers unintentionally make mistakes when completing their tax returns.

On the other hand, some taxpayers are knowingly cutting corners. I hope to ask the commissioner in a few minutes to what extent the IRS can separate those folks—the tax evaders—from those who make honest mistakes. That information would allow for even better targeting of what have been limited enforcement resources.

The chairman and I agree that we need to do a better job of collecting the tax dollars that are owed the federal government, the same way that we agree on the importance of reducing the number and amount of improper payments.

We’ve had two hearings in this subcommittee to examine the fact that federal agencies are making about \$45 billion each year in improper payments each year. We learned in those hearings that the \$45 billion figure is likely just the tip of the iceberg.

Like with improper payments, then, we’re probably pretty far from truly knowing everything we should know about the extent of the tax gap in this country. In all likelihood, the tax gap is larger than \$345 billion.

While we may not know the exact size of the tax gap, we do know the impact of not better managing our country’s finances. We know that every dollar wasted on erroneous or fraudulent payments means there’s one more dollar we will have to borrow from China or Japan or Great Britain.

The same holds true with uncollected taxes. Every dollar owed to the Treasury that goes uncollected is being replaced by a dollar from somewhere else whether it’s a borrowed dollar or a new tax dollar that’s levied on a family or a small business in Delaware or Oklahoma.

I'm pleased that Commissioner Everson is here with us today and I commend him for the attention he has paid to the tax gap issue. Your acknowledgement of the importance of this issue and your commitment to doing something about it are necessary and important steps toward the greater goal.

But, to achieve our goal of collecting every dollar that reasonably can be collected, we're going to need a comprehensive plan for success, a plan that serves as a tax gap roadmap to this and future administrations and Congress.

Having a plan helped us in Delaware. When I was Governor of Delaware, my team and I set out to turn around a state Division of Revenue that just wasn't getting the job done in some areas. After years of hard work, we succeeded in bringing the collection of delinquent taxes up to record highs.

While Delaware's budget is only a fraction of the federal budget, I'm certain that some of what we did there and much of what's being done in other states to identify problems, fix them, and improve collections and customer satisfaction at the same time could be replicated at least in part at the federal level.

Thank you again, Mr. Chairman, for focusing our attention on this issue.