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Sep. 16, 2013

The Internal Revenue Service estimate of the Tax Gap, the difference between taxes owed and taxes paid voluntarily and on time, could be more comprehensive, accurate, reliable and timely, according to [a new report](#) released publicly today by the Treasury Inspector General for Tax Administration.

The Tax Gap estimate is commonly used in tax policy and administration, and effective tax administration relies on that information to identify noncompliance and develop strategies to improve voluntary compliance. The IRS's most recent Tax Gap estimate was \$450 billion for Tax Year 2006.

"Measuring the Tax Gap is both complex and challenging," said J. Russell George, Treasury Inspector General for Tax Administration. "However, I am concerned about the overall accuracy of the estimate."

TIGTA found that the IRS could improve its individual Tax Gap estimate if estimates for the informal economy and offshore tax evasion were included. These areas present significant challenges to tax administration and the absence of an estimate could hinder or delay possible solutions. In addition, the estimates for the underreporting of corporate taxes are based on operational examinations and may not be representative of all corporate taxpayers.

TIGTA recommended that the IRS study the feasibility of developing separate estimates for the informal economy and offshore tax evasion. In addition, TIGTA

recommended that the IRS consider changing the approach to measuring the

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