

IRS Oversight Board



For immediate release
January 25, 2007
Media Contact:
Joelle Jordan/202-622-9931

IRS OVERSIGHT BOARD RELEASES 2006 ANNUAL REPORT IRS Making Progress but Tax Gap a Serious Concern

(Washington, DC) The IRS made steady progress last year towards “transforming itself into a modern institution that provides efficient and effective tax administration services to America’s taxpayers,” according to the IRS Oversight Board’s 2006 Annual Report. However, “the IRS must still meet a number of challenges before it can achieve the vision of a 21st Century tax administration agency described in the IRS Restructuring and Reform Act of 1998,” commented Board Chairman Paul Jones upon the release of the report to the President and Congress.

The Board found that the IRS is pressing forward to meet its strategic goals and credits the agency for delivering some noteworthy gains in the past year, such as an increase in enforcement activity and stable customer service levels. According to a survey commissioned by the Board in 2006, taxpayers also increasingly recognize that the IRS provides good quality service through a variety of channels, such as its web site, toll-free telephone lines and Taxpayer Assistance Centers.

The Board commends the IRS for these hard-won gains. However, the Oversight Board’s foremost concern remains the tax gap – the difference between what taxpayers legally owe and what is actually collected. The IRS’ most recent estimate for the annual net tax gap is \$290 billion, based on 2001 tax returns.

“The tax gap is an injustice to honest taxpayers who ultimately bear the burden of tax cheating. It deprives the government of much needed revenue for important programs. And it undermines confidence in the fairness of our tax administration system and contributes to non-compliance,” said Board Chairman Jones.

The Oversight Board, Congress, the Administration, and others in the greater tax administration community are seeking an overall strategy to address the tax gap. In 2006, the Board examined the many different and complementary recommendations to reduce the tax gap, and concluded that there was no one “silver bullet” that will solve the problem.

As described in its 2006 Annual Report, the Board believes that reducing the tax gap requires a comprehensive set of broad strategies that balance prevention and correction – from a simpler tax code and more complete information reporting to more IRS audit and collection personnel and quality customer service. The IRS must also address information technology modernization and human capital challenges as it continues to modernize itself.

“The Board is convinced that the Administration, Congress and other stakeholders can find a common ground and work together to reduce the tax gap in a meaningful way that gets real results. However, this will require the efforts and cooperation of everyone involved in tax administration – from the Executive Branch to Congress to the larger tax community. But it is an effort that is clearly in the Nation’s best interest,” concluded Board Chairman Jones.

The [IRS Oversight Board’s 2006 Annual Report](http://www.irsoversightboard.treas.gov)  can be found at the Board’s web site at www.irsoversightboard.treas.gov.

###