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Treasury's report on proposed tax compliance measures; addressing the "tax gap"

The U.S. Treasury Department today released a report providing a set of tax compliance measures intended to "increase fairness in the tax system and foster a tax system where Americans pay the taxes they owe."

The tax compliance measures are part of President Biden's recent proposals in the "American Families Plan."

The report—[The American Families Plan Tax Compliance Agenda](#) [PDF 402 KB]—describe tax compliance initiatives that seek to close the "tax gap" (the difference between taxes owed and those actually paid).

According to the Treasury report:

- The tax gap totaled nearly \$600 billion in 2019 and is expected to increase to approximately \$7 trillion over the next decade (roughly equal to 15% of taxes owed).
- The magnitude of the tax gap means that compliance initiatives have the potential to raise substantial revenue, while also improving tax progressivity and economic efficiency.
- Roughly 99% of taxes due on wages are paid to the IRS, but compliance on "less visible" sources of income is estimated to be just 45%.

The tax compliance proposals in the American Families Plan would provide the IRS with the resources and information needed to overhaul and enhance tax administration by:

- Providing the IRS the resources it needs to address sophisticated tax evasion
- Providing the IRS with more complete information
- Overhauling outdated technology to help the IRS identify tax evasion and serve customers
- Regulating paid tax preparers and increasing penalties for those who commit or abet evasion

It is estimated that these initiatives would raise \$700 billion in additional tax revenue over 10 years and \$1.6 trillion in the second decade (given that several of the new investments would take years to reach their full potential).

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