

**WRITTEN STATEMENT OF
COMMISSIONER OF INTERNAL REVENUE
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BEFORE THE
COMMITTEE ON FINANCE
UNITED STATES SENATE
HEARING ON “BRIDGING THE TAX GAP”
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INTRODUCTION

Mr. Chairman, Senator Baucus, and distinguished members of the Committee, thank you for the opportunity to testify today regarding the problem of the tax gap and the Internal Revenue Service’s approach to bridging the tax gap. The IRS shares this Committee’s concerns regarding the tax gap – the difference between what taxpayers are supposed to pay and what is actually paid – and is committed to reducing it.

My testimony today will address the critical need for a better understanding of the nature and scope of the tax gap. While the IRS is undertaking this important task, we are moving forward and addressing the compliance problems that we believe are important contributors to the tax gap. I will highlight the aggressive steps the IRS is taking to address these issues and narrow the tax gap.

BETTER INFORMATION IS NEEDED REGARDING THE TAX GAP

The tax gap consists of three main components: (1) filing noncompliance (i.e., relating to taxpayers who fail to file required returns); (2) payment noncompliance (i.e., relating to taxpayers who fail to pay the full amount shown due on a return); and (3) reporting noncompliance (i.e., relating to taxpayers who fail to report all tax due on a return). Only the second component – payment noncompliance – can be stated with any degree of accuracy because it is based on current information filed by taxpayers. The IRS does not have the information needed to make reliable estimates of the filing noncompliance and reporting noncompliance components of the tax gap, the relative sizes of these three main components to the tax gap, or the total size of the current tax gap.

Simply put, the information on noncompliance currently available to the IRS is over 15 years old, and in many cases even older. The IRS’ Taxpayer Compliance Measurement Program (TCMP) last evaluated data from 1988. Compliance data for corporations and other business entities are even less current. Although the information from the TCMP indicates that noncompliance was and remains a significant threat to our voluntary compliance system, the TCMP data does not provide a reliable estimate of the current level of noncompliance – i.e., the tax gap.

The IRS is in the process of compiling updated compliance data through the National Research Program (NRP), the first broad-based compliance study since the TCMP. When completed, the NRP not only will provide the IRS updated data regarding the level of tax compliance by individuals, but also will assist us in understanding the areas and nature of noncompliance. In addition, the IRS is pursuing other research directed at shedding light on particular compliance problems so that we can formulate appropriate solutions.

ROOT CAUSES OF THE TAX GAP

The reasons for noncompliance are many, and once the NRP is completed, the IRS will have a much clearer sense of the areas of noncompliance that give rise to the tax gap and the reasons for that noncompliance. We believe, however, that a significant factor contributing to the tax gap is the enormous complexity of our tax laws. For taxpayers, complexity makes it harder to understand and apply the tax laws. The ever increasing percentage of Americans who each year turn to return preparers and tax preparation software is a reflection of the complexity of our tax laws. For the Government, complexity makes it more costly for the IRS to administer effectively the tax system. The Treasury Department and the IRS must write rules to administer complex tax laws, and the IRS must expend resources to administer these laws, including everything from taxpayer assistance to audits of returns.

Complexity gave rise to the latest generation of abusive tax avoidance transactions. Taxpayers engaging in these abusive transactions attempt to take advantage of the Code's length and complexity by combining a myriad of technical rules to claim tax benefits not intended by Congress. These transactions often involve complicated structures and sophisticated financial instruments that IRS agents must penetrate to determine whether a transaction is, in fact, abusive. These so-called "technical tax shelters" proliferated in the 1990s because taxpayers and promoters believed that taxpayers could enter into aggressive transactions with little risk of detection and with little risk of owing anything more than the tax due and interest even if caught. I will highlight in greater detail below the Administration's approach to these transactions, which is fundamentally shifting the risk-reward calculus for taxpayers considering an abusive transaction.

We also are exploring ways of altering the attitudes of Americans about noncompliance. Over the last four years, the number of Americans saying it is OK to cheat on taxes rose from 11 to 17 percent. Sixty percent of Americans believe that people are more likely to cheat on taxes and take a chance on being audited. As discussed in greater detail below, the IRS has acted aggressively to restore confidence in the tax system by halting the promotion of abusive transactions and bringing taxpayers back into compliance with the tax laws, while improving service to taxpayers.

OUR AGGRESSIVE ACTIONS TO NARROW THE TAX GAP

The tax gap problem requires a comprehensive solution that will provide the IRS with the information, tools, and resources necessary to address noncompliance. In this regard, we have taken significant and important steps towards bringing taxpayers back into compliance. In addition, we are committed to developing new processes and strategies for dealing with the challenges presented. We currently are following a broad-based, multifaceted strategy to combat noncompliance that includes:

- Identifying compliance priorities and applying resources appropriately;
- Improving service to taxpayers;
- Ensuring that the IRS has the right tools and resources; and
- Coordinating with other tax administrators to identify and combat noncompliance.

Identifying Compliance Priorities and Applying Resources Appropriately

In my testimony before this Committee last October, I highlighted the need for the IRS to prioritize its audit focus and to apply proportionately greater resources to areas where we believe there are, or where we expect to find, compliance issues. In that regard, we have identified the following areas as compliance priorities:

- (1) Discouraging and deterring egregious non-compliance;
- (2) Ensuring that attorneys, accountants and other tax practitioners adhere to professional standards and follow the law;
- (3) Detecting and deterring domestic and off-shore based tax and financial criminal activity; and
- (4) Deterring abuse within tax-exempt and governmental entities.

1. Discouraging and deterring non-compliance, with emphasis on corrosive activity by corporations, high-income individuals and other contributors to the tax gap. The abuses of recent years have to a very real degree strained the credibility of our tax administration system. Enforcing compliance in these sectors is critical to maintaining Americans' faith that our system is fair. Combating abusive tax schemes and abusive transactions is the centerpiece of this effort, which involves several key components.

Aggressive Son of Boss Settlement Initiative. This sophisticated abusive transaction initiative involved thousands of taxpayers and six billion dollars in understated tax. We are getting tough on this abusive transaction because it is so egregious. Many transactions have generated tax losses between \$10 and \$50 million, and several greater than \$500 million.

To achieve uniformity and enhance overall compliance with the tax laws, taxpayers will not be afforded the traditional administrative Appeals process. For the first time, IRS has required a total concession by the taxpayer of losses claimed--one hundred percent. For the first time, penalties (10 or 20 percent) are mandated as a settlement condition for certain taxpayers. More than 1,500 taxpayers filed Notices of Election by the June 21 deadline. About 85% of participants then known to the IRS filed elections and more than 300 participants unknown to IRS have filed elections. These taxpayers must still complete the process established for the initiative in order to resolve their cases, but we are very pleased by the response. Mr. Chairman, without the support shown by you and Senator Baucus, we would not have had this kind of success.

Anyone who does not come forward can still challenge the IRS in court. If so, we will vigorously pursue the full tax due, applicable interest, and the maximum penalty. Taxpayers should not expect to settle court cases more favorably than the IRS settlement initiative. We have already begun to contact the taxpayers who did not file Notices and expect to begin enforcement action soon.

Three states, New York, Connecticut, and New Jersey, have issued their own Son of Boss settlement initiatives as part of broader amnesty programs.

Early Disclosure of Questionable Transactions. The Administration has made transparency a key element of its effort to combat abusive transactions. In March 2002, based on our experience with regulations issued in early 2000, the Treasury Department announced a significant revision of the rules requiring taxpayers to disclose potentially abusive transactions to the IRS. These revisions have been completed, and I am confident that they will be a significant step towards bringing abusive transactions to light as they take place, rather than years afterwards. The early identification of potentially abusive transactions permits the IRS to gather information and issue guidance before a transaction proliferates. Notifying the public of the IRS position on an abusive transaction, coupled with robust disclosure, registration, and list maintenance requirements, deters taxpayers from playing the audit lottery and participating in abusive transactions. The alternative is unacceptable because the IRS must devote a tremendous amount of resources to address an abusive transaction after it has spread in the market.

Early disclosure rests upon the three provisions in the Code that require taxpayers to provide requested information on returns and promoters to registers certain transactions with the IRS and provide lists of participants in potentially abusive transactions to the IRS upon request. The Administration has proposed legislation that will allow these three provisions to work together seamlessly and back up the failure of a taxpayer or promoter to follow these disclosure rules with meaningful penalties. I commend the Committee for the lead it has taken in moving these Administration proposals closer to enactment.

Prompt Guidance on Abusive Transactions. The early identification of abusive transactions is only as valuable as the effectiveness of the IRS' response - once the IRS identifies a potentially abusive transaction, it is imperative that the IRS responds quickly. Prompt action, such as through the issuance of public guidance with respect to a newly identified abusive transaction, will limit the spread of an abusive transaction. If we do not promptly challenge these transactions, taxpayers may assume, incorrectly, that the IRS has tacitly approved the transaction or that the IRS simply will not detect it. In the absence of a clear signal from the IRS, taxpayer may adopt a "follow the crowd" mentality about an abusive transaction.

To avoid the delays that had previously hampered our efforts, the IRS has launched efforts to ensure a coordinated approach involving the IRS operating divisions, Chief Counsel and the Treasury Department to formulate a response. We believe that once guidance has been issued that a transaction does not work or, in some cases, has been designated a "listed transaction" (which signals our very strong concerns about a transaction and commitment to identify taxpayers who have participated in the transaction), taxpayers will be reluctant to enter into it. By deterring taxpayers from entering into these transactions, we save audit resources. In addition, this guidance directs agents in the field to focus on these transactions in taxpayer and promoter audits and ensures that these cases will be uniformly developed. If the IRS is slow to uncover new potentially abusive transactions or does not react quickly to them, then the IRS will be required address more cases through audit and litigation. That is a far slower and more resource-intensive process than published guidance and is significantly less effective in containing the spread of new abusive transactions.

Better Information from Taxpayers. Although increased disclosure of potentially abusive transactions under our revised disclosure regime is a critical compliance priority, it is not enough. We are taking aggressive actions to make sure that we identify noncompliance by

making it more transparent on a return. Increased filing of electronic returns is a key element of this effort. Electronically-filed returns allow the IRS to use all of the information on a return. Although we experienced substantial growth in electronic filing again this year, we are committed to fulfilling our mandate to expand and encourage electronic filing.

In addition, we are revising our forms so that they elicit the information we need to detect noncompliance. For example, we recently announced the release of the new Schedule M-3, which will be effective for large corporations this year. The Schedule M-3 accomplished a much needed, comprehensive overhaul of the present Schedule M-1, which had not been updated for almost 40 years. The new Schedule M-3 will make differences between financial accounting net income and taxable income more transparent. Schedule M-3 provides information that will help the IRS better identify taxpayers that may have engaged in aggressive transactions and therefore where additional scrutiny is warranted. The new disclosures from Schedule M-3 will help us focus our examination efforts on high-risk areas, which will improve and streamline the audit process.

The IRS also is working to examine returns earlier. It is imperative that we get current in our audits. The IRS must identify abusive transactions promptly so that potentially abusive transactions can be shut down early on, before they spread. It currently takes two years on average before complicated corporate returns find their way into the hands of the assigned examiner, and it takes five years from the date the return is filed for us to complete the audit of a large, complex corporation. (These figures do not include the appeals process, which may take another two years before the matter is settled or goes to court.) As a result of this time lag, the IRS did not detect and deter the abusive transactions of the 1990s on a timely basis because we did not have an informed view of current taxpayer behavior, only an historical understanding of events long past.

The challenge to get current and to focus swiftly on emerging issues and evolving business trends is becoming greater every day. But, I am convinced that meeting that challenge will give us a quicker, more current and more efficient examination process that is aimed at those returns with the greatest compliance risk. Technology will help. For example, electronic filing by corporations will facilitate our analysis of data and help us calibrate risk. Through speedier audits we will provide better service to the compliant taxpayer by resolving differences earlier, and hold accountable those who seek to game the system.

Reduced Controversy through Published Guidance. A significant proportion of our audit resources are being consumed addressing issues that could be clarified through additional published guidance. The Treasury Department and the IRS have published guidance for issues such as capitalization, cash-method accounting, and the research credit, that historically have resulted in considerable controversy between taxpayers and the IRS. These guidance projects are continuing, and we will continue working on guidance that establishes clear rules that will resolve uncertainty and controversy. Published guidance is an important tool that the IRS can use to increase compliance and free up audit resources that we can then devote to areas with higher risks of noncompliance. We have made significant progress in accelerating and increasing its issuance of published guidance and we will continue to improve our performance in this area.

2. Ensure that attorneys, accountants and other tax practitioners adhere to professional standards and follow the law. When I started work at Arthur Andersen in New York as a young

auditor, in 1976, I was not yet twenty-two years old. All of us — in fact I would dare say anyone at a big eight accounting firm or leading law firm of the time — were given an unmistakable understanding of professional expectations and standards: your first responsibility was to make sure your client followed the law and observed appropriate standards. Then, if you could, you attempted to differentiate the firm based on service.

Let me emphasize that the vast majority of practitioners are honest and scrupulous. But even the good ones—the vast majority—suffered from the erosion of ethics—because they are being subjected to untoward competitive pressures. Over the last three decades, with an accelerated slide in the 1990s, the model for accountants and attorneys changed. The focus shifted from independent audit and tax functions premised on keeping the client out of trouble, to value creation and risk management. Promoters of abusive transactions had a corrupting influence. It got so bad that in some instances blue chip professionals actually treated the decision of whether or not to comply with the law as a business decision. They weighed potential fees for promoting abusive transactions but not following the law against the risk of IRS detection and the size of our penalties.

Our system of tax administration depends upon the integrity of tax practitioners. The IRS is committed to improving professional standards. We are pursuing an integrated approach to maximize the effectiveness of the Office of Professional Responsibility (OPR) that includes: (1) providing OPR the necessary resources and ensuring that those resources are deployed efficiently; (2) establishing administrable standards for practice before the IRS that address current compliance issues; and (3) improving coordination and outreach between OPR, the IRS Operating Divisions, and the Department of Justice (DOJ). To help us achieve these objectives, we have augmented OPR by doubling its size and appointing as its Director a tough, no nonsense, former prosecutor.

The IRS also has focused attention on the role of accounting and law firms, among others, in the proliferation of abusive transactions. The IRS has focused on these firms because in some instances tax professionals were acting as promoters of abusive transactions, and not simply as tax or legal advisers. Initiatives that focus on promoters provide a number of benefits to tax enforcement. Promoters are required to maintain investor lists that identify taxpayers who participate in potentially abusive transactions that are “reportable” or “listed” transactions under Treasury Department regulations. By auditing the promoters, obtaining investor lists, and following up with audits of those investors, we can deter the promotion of, as well as the demand for, abusive transactions. The IRS also has effectively utilized penalty sections 6707 and 6708 of the Code against those promoters and preparers who fail to comply with the registration and list maintenance rules.

The IRS is also focusing on tax return preparers. The Small Business/Self Employed Division (SB/SE) established a Lead Development Center (LDC) in April 2002 to centralize the receipt and development of all potential leads on abusive transactions and tax schemes marketed used by return preparers and promoters. The LDC sends authorized investigations to the field. Last year, SB/SE’s LDC and Return Preparer Program increased our compliance efforts against abusive return preparers. Problem preparers are now referred to the LDC for consideration of an injunction investigation. As of June 2004, the IRS SB/SE Division has 927 promoters and return preparers under Section 6700 and/or 6701 investigation.

In extraordinary cases involving promoters and return preparers, we have worked with the Department of Justice to file suit in U.S. District Court under Code sections 7402, 7407 and 7408 to seek injunctions to halt further abusive conduct. Such action can permanently bar an individual, or group of individuals, from participating in such activity. Since the beginning of 2000, 186 promoters (some of whom were also return preparers) have been referred to the Department of Justice for injunctions. The Department of Justice has filed injunction suits against 101 of those promoters, and declined to sue 36 of them. Of the 101 sued, 67 have been enjoined (by temporary restraining order, preliminary injunction, or permanent injunction), and 34 are awaiting court action. The Department of Justice is evaluating 49 referred promoters for possible suit. Another 55 cases are being reviewed by Chief Counsel for possible referral.

3. Detect and deter domestic and offshore-based criminal tax activity and financial criminal activity. Our Criminal Investigation Division (CI) is a storied and proud law enforcement agency. CI is currently pursuing a number of significant and complex abusive tax scheme investigations in which they are collaborating with SB/SE and Large and Midsize Business Division (LMSB). With this internal synergy, we are aggressively detecting and deterring domestic and off-shore tax and financial criminal activity.

CI has focused its efforts on abusive tax schemes that utilize multiple flow-through entities as an integral part of the taxpayer's effort to evade taxes. These tax schemes are characterized by the use of trusts, Limited Liability Companies (LLCs), Limited Liability Partnerships (LLPs), International Business Companies (IBCs), foreign financial accounts, offshore credit/debit cards, and other similar instruments. The schemes are usually complex, involving multi-layered transactions for the purpose of concealing the true nature and ownership of the taxable income and/or assets.

CI's expertise covers not just criminal tax matters but other financial crimes. Our investigators are the best in law enforcement at tracking and documenting the flow of funds. In addition to our tax investigations, the IRS has over 100 agents assigned on an ongoing basis to support the President's Corporate Fraud Task Force. We will continue to intensify these important efforts.

4. Discourage and deter non-compliance within tax-exempt and government entities, and the misuse of such entities by third parties for tax avoidance or other unintended purposes. We are taking a close look at tax-exempt organizations to ensure that they are operating within the bounds of the law. As I testified before the Senate Committee on Finance last month, our Tax-Exempt and Governmental Entities Division (TEGE) plays a significant role in combating abusive transactions. While the vast majority of tax-exempt entities follow the law, and abuses in this sector may still be isolated, we must act quickly to check those abuses. We have seen instances of lavish compensation packages for executives, inappropriate related-party transactions and, in some cases, operation of what is essentially a profit-making entity with no public purpose in the guise of a charity to escape the payment of taxes or regulatory oversight.

We are addressing non-compliance by tax-exempt entities on a number of fronts. In one area of particular concern, credit counseling organizations, we have launched an unprecedented audit effort. We are also initiating a broader review of foundations that ultimately will involve examinations of approximately 400 entities. Half of the examinations will be somewhat akin to our detailed NRP audits already underway for individuals. Furthermore, we are enhancing our cooperative efforts with state charity regulators. If we do not take actions to preserve the

integrity of our charities, there is a risk that Americans will lose faith in, and reduce their support more broadly, for charitable organizations, damaging a unique and vital part of our nation's social fabric.

Finally, we cannot overstate the seriousness of the involvement of tax-exempt and government entities as accommodation parties to abusive transactions. A significant proportion of the transactions identified to date as listed transactions under the return disclosure regulations rely to some degree on the use of a tax-exempt party. In response, we have revised our Form 8886, Reportable Transaction Disclosure Statement, to require the identification of all parties to a listed transaction to improve the detection of accommodating parties, including tax-exempt entities. We will continue to explore whether additional changes to the disclosure rules and forms are necessary.

Improving Service to Taxpayers

Enhancements to the IRS' compliance efforts must be matched by continued improvements in service to taxpayers. Achieving better service will improve the willingness of taxpayers to meet their tax obligations, increase tax revenues, and reduce the tax gap.

Our working equation at the IRS is service plus enforcement equals compliance. The better we serve the taxpayer, and the better we enforce the law, the more likely the taxpayer will pay the taxes he, she or it owes. By service, we mean helping people understand their tax obligations and making it easier for them to participate in the tax system. Adam Smith, the Scottish economic philosopher, believed that the "tax which each individual is bound to pay ought to be certain, and not arbitrary. The time of payment, the manner of payment, the quantity to be paid, ought to be clear and plain to the contributor, and to every other person."

We have an obligation to help taxpayers navigate the tax laws and make it as easy as possible for them to comply. The IRS has demonstrated unmistakable progress in improving customer service and increasing its recognition of and respect for taxpayer rights. While the ultimate desired level of customer service remains to be reached, the IRS's improvement and commitment with respect to these core goals has been incontrovertible, established and measurable.

Our objectives for continued improvement in taxpayer service are three-fold: (1) improve and increase service options for the tax-paying public; (2) facilitate participation in the tax system by all sectors of the public; and (3) simplify the tax process. These objectives are based on a recognition of the dynamics of a rapidly changing world, one in which the Internet will be the dominant communications tool. Yet we realize there will remain a wide range of computer and technological literacy among individual taxpayers, and we must not fail to provide the same level of service to all taxpayers, regardless of their technological sophistication. Our objectives also recognize an America with an increasingly diverse population, and that diversity will create challenges for us as tax administrators. Nevertheless, we are confident that we can and will serve all Americans effectively.

Ensuring the IRS Has the Tools and Resources it Needs

In addition to the steps outlined above, we have been working closely with our partners in the Treasury Department to make sure that the IRS has the tools and resources it needs to fight noncompliance. As this Committee is aware, the Treasury Department's March 2002 Enforcement Proposals to Combat Abusive Tax Avoidance Transactions have been included in the Administration's Fiscal Year 2005 Budget and will provide important tools for the IRS. These proposals include confirmation of the Government's ability to seek injunctions against promoters who disregard the disclosure rules and the imposition of new penalties for taxpayers who fail to report foreign bank and other financial accounts. The Administration also has proposed legislation that will increase the penalty for frivolous returns and permit the IRS to disregard other submissions, such as requests for collection due process (CDP) hearings, that are based on frivolous arguments. In addition, the Administration's proposals will make changes to the substantive tax laws where necessary to combat specific abuses. Finally, we have provided valuable assistance to the Treasury Department's development of new legislative proposals that close loopholes and target identified abusive transactions and abusive practices.

To provide the IRS additional resources, the Administration has asked for a 4.8 percent increase for the IRS budget for Fiscal Year 2005 — ten times the average increment for non-homeland, non-defense agencies. The Administration's strong commitment to tax administration will provide a 10 percent augmentation to our enforcement resources.

Coordination with Other Tax Administrators to Identify and Combat Noncompliance

The IRS is not alone in its efforts to combat noncompliance. State tax administrators, as well as our foreign counterparts, are tackling the problems of noncompliance with the tax laws in their jurisdictions. Our recent efforts to improve coordination and information sharing with these agencies are yielding dividends.

IRS Coordination with the States. The IRS is continuing to work with state tax officials in the nationwide partnership to combat abusive transactions that was announced in September 2003. This nationwide partnership now includes 48 states, the District of Columbia, and the New York City Department of Finance

Early this year, information exchanges began with the states and cities. The IRS shared information regarding approximately 28,000 taxpayers who engaged in potentially abusive transactions. The IRS already has received significant information back from states, including information about multi-million dollar tax schemes. In one notable example, data provided by the California Franchise Tax Board in response to an IRS request for state information regarding a high profile transaction the IRS currently is examining resulted in the identification of additional participants. As a result, the IRS will be able to bring these additional participants into compliance.

Cooperation with the States is expanding and the IRS is developing additional initiatives with the States. These initiatives, which involve closer coordination and the increased exchange of information, include the following:

(1) State Income Tax Reverse Filing Match. Under this initiative, we are using increasingly sophisticated document-matching programs to uncover nonfilers by comparing state filing and payment information with Federal data. A test program is currently underway in California, Minnesota and New York that has already helped identify thousands of filing discrepancies.

(2) Title 31 Money Services Business (MSB) Memorandum of Understanding (MOU). This program will improve the Federal/State exchange of MSB examination information. Improved information sharing will enhance compliance by MSBs regarding Federal and State laws and regulations, including the detection of money laundering. Once executed, the MOU will provide the basis for a partnership between IRS, the Treasury Department's Financial Crimes Enforcement Network (FinCEN), and State regulatory agencies.

(3) Federal State Offshore Credit Card Matching Initiative. Under this program, the IRS is expanding use of state databases to assist in identifying and locating taxpayers who have participated in off-shore credit card abuse.

In addition to greater cooperation in sharing leads in the area of abusive transactions, the flourishing new partnership with the States has provided opportunities for joint outreach and education activities to counter the claims of those marketing tax schemes and scams. We also are working with the States on other initiatives that will improve compliance by reducing taxpayer burden through closer coordination of state and federal tax obligations. For example, the Federal-State Internet Employee Identification Number (EIN) program will enable taxpayers to obtain both an EIN from the IRS and a registration number for sales tax and/or income tax from their home State in one location on the Internet. This one-stop approach will reduce paperwork burden for taxpayers.

Expanding International Coordination. The IRS is not the only tax agency facing the compliance challenges I have outlined. We are working with the tax authorities of Australia, Canada, and the United Kingdom to form a joint international task force to increase collaboration and share information about abusive transactions that are occurring in and out of our four countries. I expect that our joint effort will enable the four countries to share expertise, best practices and experiences in order to identify and better understand abusive transactions and those who promote them; to exchange information about specific abusive transactions and their promoters and investors within the framework of our countries' existing bilateral tax conventions; and to carry out our individual enforcement activities more effectively and efficiently.

CONCLUSION

Mr. Chairman, we are steadfastly committed to understanding and bridging the tax gap. We believe that the initiatives and actions I have highlighted are important steps toward that goal. Although we have made significant progress, we will continue our efforts to combat noncompliance.

Thank you.