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**BAUCUS COMMENTS ON GAO RECOMMENDATIONS
TO IMPROVE TAX COMPLIANCE**

*Finance Chairman committed to supporting fiscally responsible policies
that work to close the "tax gap"*

Washington, DC – Senate Finance Committee Chairman Max Baucus (D-Mont.) today responded to a Government Accountability Office (GAO) report suggesting that tax compliance would be improved if Congress were to enact legislation requiring trades or businesses to report to the IRS on Form 1099-MISC the payments they make to corporations. The Finance Chairman said today that he would closely review GAO's recommendations as they work toward closing the tax gap – \$345 billion annually in legally owed but unpaid tax dollars.

"The GAO makes a good and simple recommendation in this report - business transactions resulting in the flow of money among and between companies and their clients should be reported to the IRS so that we have accurate and consistent information to properly account for taxable income. When the IRS can match up what a business pays and what is received on the other end, it can do its job in making sure it collects the right amount of taxes under the law," said Baucus. **"As Finance Committee Chairman, I'm dedicated to promoting fairness, efficiency, and simplicity in tax reform, and I intend to carefully consider the recommendations in this report as I work with Senator Grassley and others to close the tax gap."**

The GAO found that 92 percent of businesses with assets under \$10 million filed no Forms 1099-MISC in 2005. Research conducted by the IRS shows that income is voluntarily reported 95 percent of the time when substantial information reporting is required; the compliance rate is only 46 percent without information reporting. In 2006, businesses reported \$6 trillion in miscellaneous income payments to the IRS on Form 1099-MISC information returns. Payments to corporations are not currently subject to Form 1099-MISC reporting, and may contribute to billions of dollars lost each year in unpaid taxes, according to GAO estimates.

Baucus has committed to working with the Treasury and the IRS to improve the rate of voluntary compliance with America's tax laws.

The full GAO report can be found here: <http://www.gao.gov/new.items/d09238.pdf>

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