

## **IRS High Risk Update: Enforcement of Tax Laws**

**Overall/Scope:** Reduce the tax gap by developing a comprehensive, strategic approach to increase taxpayer voluntary compliance.

### **Focus Areas:**

1. Compliance Research: Conduct analyses to determine the causes of the tax gap and identify areas of noncompliance.
2. Resource Allocation: Use the results of the compliance research to determine resource needs, justify resource requests, target scarce enforcement resources, and develop other corrective measures for all aspects of tax law enforcement.
3. Centralized Accounting: Ensure that the centralized accounting system is designed and used to determine how best to allocate resources.
4. Modernization: Modernize technology and revise core business processes to improve productivity.

In addition to these focus areas, recent budget requests have included legislative proposals that would improve voluntary compliance and therefore reduce the tax gap. These legislative proposals include:

- Require information reporting on payments to corporations;
- Require basis reporting on security sales;
- Require information reporting on merchant payment card reimbursements;
- Require a certified Taxpayer Identification Number (TIN) from contractors;
- Require increased information reporting on certain government payments;
- Increase information return penalties;
- Improve the foreign trust reporting penalty;
- Require electronic filing by certain large organizations; and
- Implement standards clarifying when employee leasing companies can be held liable for their clients' Federal employment taxes.

**Responsible Organizations:** The Commissioner of Internal Revenue is responsible for the overarching goal while the Deputy Commissioner for Services and Enforcement and Deputy Commissioner for Operations Support are responsible for implementation of the underlying initiatives.

**Goal:** Increase taxpayer voluntary compliance rate from 83.7% in TY2001 to 86% by TY2009.