

1989

## Attacking the Tax Gap

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### Recommended Citation

Weiksnar, Tom and Van Valkenburg, Todd (1989) "Attacking the Tax Gap," *Akron Tax Journal*: Vol. 6 , Article 9.  
Available at: <http://ideaexchange.uakron.edu/akrontaxjournal/vol6/iss1/9>

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## ATTACKING THE TAX GAP

### INTRODUCTION

Today a radio station played something extraordinary, an Internal Revenue Service (IRS) advertisement promoting taxes. "Help someone with their taxes, there is no telling what the returns may be." At last, after five years of American Bar Association (ABA) research, the Tax Reform Act of 1986 (TRA '86), and countless private studies, the IRS seems to be taking an affirmative step in dealing with tax noncompliance.<sup>1</sup> Moreover, the IRS realizes the answer lies in the attitudes of the taxpayers, as well as in the collection system itself. This news is truly exciting.

Specific arenas of taxation like gift and estate tax, depreciation, or capital gains are complex and contain policy implications.<sup>2</sup> In the arena of tax compliance, the fairness of laws is assumed and the tax owed is merely collected. Compliance is a politically safer way to attack the national deficit because it promotes economic good and does not directly cut government services.<sup>3</sup> While the complexity of the other tax arenas requires attention, "not even administratively simple taxes can be raised against the hostility of everybody concerned, no matter how rigid the controls."<sup>4</sup>

United States citizens typically follow the tax laws.<sup>5</sup> Eighty-one percent reported the tax owed on legal income in 1987.<sup>6</sup> Still, noncompliance exceeded \$100 billion for the 1987 tax year.<sup>7</sup> The tax gap is the difference between taxes paid and taxes owed (if all taxpayers filed complete and accurate returns and paid all of the taxes).

### SCOPE

Putting the tax gap into perspective (if it is possible with numbers so large), the \$100 billion plus tax gap of 1987 was over one-half of the federal budget deficit in 1987.<sup>8</sup>

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<sup>1</sup> The American Bar Association formed the Commission on Taxpayer Compliance in 1983. See *INCOME TAX COMPLIANCE: A REPORT OF THE ABA SECTION OF TAXATION INVITATIONAL CONFERENCE ON INCOME TAX COMPLIANCE* (1983). Other studies include Yankelovich, Skelly & White, *TAXPAYER ATTITUDES STUDY: FINAL REPORT* (1984) and Lou Harris and Associates (1987).

<sup>2</sup> J. Freeland, S. Lind and R. Stephens, *FUNDAMENTALS OF FEDERAL INCOME TAXATION*, 646-653, (6th ed. 1987).

<sup>3</sup> National spending is funded by taxes. Many proposals to reduce the national deficit cut back on spending. By collecting a higher percentage of money already owed to the government, the deficit can be reduced. This method does not necessarily cut back on spending.

<sup>4</sup> Strumpel, *THE CONTRIBUTION OF SURVEY RESEARCH TO PUBLIC FINANCE*, published in *QUANTITATIVE ANALYSES IN PUBLIC FINANCE* (1969).

<sup>5</sup> Hall, *ABA SUPPORTS EFFORTS TO REDUCE TAX GAP*, *Tax Notes Today*, Feb. 22, 1988 (Lexis, Fedtax library, TNT file).

<sup>6</sup> *Id.*

<sup>7</sup> *Id.*

<sup>8</sup> *Id.*

The tax gap is a major problem and is only slowly coming to the attention of the American public. The IRS must increase collection efficiency. The IRS should set higher compliance goals and organize the collection system to process the available information more accurately. The public must also get involved in solving the problem called the tax gap. President George Bush discussed the tax gap in the second presidential candidate debate and received little response.<sup>9</sup> The tax gap should be more than a passing statement. It should be a major issue to the American people.

There is now enough data describing the tax gap (largely through the efforts of the ABA in cooperation with the IRS) to understand its basic components.<sup>10</sup> After identifying these components, the solutions may be more apparent. This paper will attempt to unify the scattered data into a useful reference showing where the tax gap comes from, what feeds it, and how to reduce it.

The ABA Commission on Taxpayer Compliance Report classifies noncompliance into four types:

- 1) underreporting of income,
- 2) failing to file returns,
- 3) overstating deductions, credits, and adjustments to income and
- 4) failing to pay existing tax liabilities.<sup>11</sup>

Underreported income alone accounts for almost seventy-five percent of the tax gap.<sup>12</sup> Congress should direct more research toward determining why people underreport. One study indicated that out of 140 crimes, underreporting ranked between 106th and 120th in order of severity.<sup>13</sup> Stealing a bicycle was one of the many crimes rated as more serious than underreporting.<sup>14</sup> Underreporting is difficult to detect because it involves missing information instead of incorrect information.

Failure to file returns and overstatement of deductions are probably more a result of complexities and difficulties than a result of non-compliance. The opportunity for these types of cheating is lower, so the reasons for noncompliance are likely to be more deeply rooted.<sup>15</sup>

The failure to pay category shows the unwillingness of taxpayers to pay taxes

<sup>9</sup> Second Presidential-Candidate debate, October 11, 1988.

<sup>10</sup> AMERICAN BAR ASSOCIATION COMMISSION ON TAXPAYER COMPLIANCE REPORT AND RECOMMENDATIONS, JULY 1987. Approved by the ABA Board of Governors Feb. 1988.

<sup>11</sup> *Id.* at 11.

<sup>12</sup> *Id.* at 13.

<sup>13</sup> Study conducted by Cullen, Link and Polanzi 1982, printed in K. Smith and K. Kinsey, INCOME TAX CHEATING: OPPORTUNITIES, PREFERENCES AND SANCTIONS. (ABF Working Paper No. 8718, 1987).

<sup>14</sup> *Id.*

<sup>15</sup> ABA Report, *supra* note 10, at 11.

correctly assessed against them. This category has been growing increasing fivefold from 1973 to 1981.<sup>16</sup> Total accounts receivable to the IRS were \$53 billion in February 1988; up \$7 billion from February 1987.<sup>17</sup>

The factors that reduce noncompliance affect collection efficiency. The emphasis is primarily on collection procedures that increase efficiency. The reward for increased efficiency is increased compliance in the future. After identifying the factors leading to noncompliance, basic solutions reducing noncompliance are easier to see. Four main factors lead to noncompliance:

1. poor attitudes towards the tax law,
2. uncertainty regarding the tax law,
3. complexity of the tax law, and
4. opportunities to escape detection.

#### ATTITUDES

Social norms against tax cheating are relatively weak.<sup>18</sup> Tax compliance norms are not rooted in basic social values about harming or violating the rights of others.<sup>19</sup> Tax cheating has its victims, but they are not immediately apparent to many taxpayers.<sup>20</sup> Many people seem to cheat a little. With an increased average tax-liability for underreporting on returns in 1983 of \$395, changing attitudes is a very promising solution<sup>21</sup> It is not easy to reshape prevailing norms and values, but if the public's attitude can change about smoking and drunk driving, surely the way people think about paying taxes can change.

Civic organizations, public officials, unions, religious leaders, and businesses should join together to persuade the public that noncompliance is unacceptable. These leaders and organizations can serve as role models and stress the inequality that results when one does not pay a fair share of their taxes. It is time for the public to help others, as well as themselves. Individuals should stand up and say, "noncompliance is unacceptable".

User-friendly computers could change attitudes by keeping information on computers. Two positive responses by taxpayers show now is a good time to increase the use of computer information.<sup>22</sup> First, the IRS is perceived as doing a good job at protecting private information.<sup>23</sup> As information flows only in one

<sup>16</sup> *Id.* at 13.

<sup>17</sup> Letter from Gerald G. Portney to Prof. Robert Wade (May 5, 1988) (*Symposium on Tax Issues and Concerns for the 1990's Administrative Reform and Change*), unpublished.

<sup>18</sup> ABA Report, *supra* note 10, at 21.

<sup>19</sup> *Id.*

<sup>20</sup> *Id.*

<sup>21</sup> *Id.*

<sup>22</sup> Yankelovich, Skelly & White, TAXPAYER ATTITUDES STUDY: FINAL REPORT (1984).

<sup>23</sup> *Id.*

direction (to the IRS), computers can actually increase the privacy of many taxpayers' records. The IRS should stress this because many fear losing privacy. Second, ninety percent of the people surveyed believed simplification would help in collecting taxes owed to the IRS.<sup>24</sup> Automatic computer filing will cut down on the records kept by the taxpayer. The taxpayer will feel this immediately and appreciate it.

There are also some immediate actions the IRS could take to improve attitudes. Until computers hold more information, the need to keep accurate records is a heavy burden on taxpayers, especially in the area of business expenses. Many businesses forego expenses simply because it is too costly in time and money to keep accurate records. If the IRS requires detailed records, they should give credit for the time spent keeping records. The necessary forms should be easily available. Providing incentives will improve taxpayer attitudes about the IRS.

The IRS can use incentives in another way as well. Because of the low audit rate, the IRS could offer a two year grace period from the audit lottery as an incentive to change taxpayer attitudes about keeping records. Audited filers who have a certain level of sophistication about their records would qualify for this plan.<sup>25</sup> The statute of limitations would still leave one year remaining if the taxpayer abuses this grace period. The quality of records would likely increase. This uses the taxpayers' fear of an audit in a positive way.

Attitudes must change. While penalties do change attitudes, they do so in a pugnacious way. Education, public relations, and basic business techniques are less offensive. How does a company like Sears, Roebuck get people to like them? The IRS would do well to follow Sears' lead in influencing attitudes about their own "corporation."

#### UNCERTAINTY

Uncertainty of the tax law is due to the taxpayer's lack of knowledge. Since the Tax Reform Act of 1986 there have been an additional 750 new tax laws.<sup>26</sup> This indicates how difficult it is to stay abreast of changes.

If the government expects the taxpayer to comply, the taxpayer must know the law. The IRS has answered this need for knowledge by frequently sending out statements concerning changes in the tax laws, reminding taxpayers of filing

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<sup>24</sup> *Id.*

<sup>25</sup> The fear of an audit is so strong that people might keep dramatically better records to obtain a grace period should they be audited. In the present system, a taxpayer with accurate records only leaves an audit no worse off at best. The possibility of a taxpayer two year grace period would give taxpayers a tangible reward for accurate records.

<sup>26</sup> *Supra* note 17, at 5.

requirements, and publishing indictments and other enforcement actions.<sup>27</sup> Congress has also responded to this need by simplifying the 1040 EZ, the 1040 A and the 1040 forms. Congress should now simplify all remaining forms.<sup>28</sup>

The IRS exerts much time and energy on enforcing tax claims. The IRS should not be expected to handle the roles of informer and educator alone. Competent outside leaders and organizations should be encouraged to assist in this effort.

Tax education should begin at the earliest possible time. Schools should offer tax education as an elective or even as a required class.

Taxpayer assistance and education is vital to increasing ability to comply. The IRS has made high quality educational aids for the high school level.<sup>29</sup> Most of the national school systems have these tools.<sup>30</sup> The education should not stop here, but continue at the college level. For those who do not have the opportunity to attend college, a course should be offered by civic organizations or by private enterprises.

Civics classes should include a lesson in tax. The extent of use of these tools is not yet known, but Congress could encourage their use by giving credits to schools that incorporate these materials into civics or social studies classes. Almost twenty percent of taxpayers do not comply.<sup>31</sup> Many do not comply merely out of frustration or inability. Taxpayer assistance will increase the opportunity for those who wish to comply. Uncertainty needs to play a less important role in noncompliance. To achieve this end, the law must remain stable and the private sector must be willing to assist.

The use of computers will also increase the probability of accurate detection and audits.<sup>32</sup> If the IRS can provide one-step access to the taxpayer's complete account, they can reduce errors, run audits more smoothly and build confidence in the IRS. One step access eliminates the need to transfer information within the IRS. The fewer transfers of information, the less chance for errors to occur. The IRS has improved its computer system, but it does not yet allow one step access.<sup>33</sup>

Under the present system, the true issue is often not presented at the onset of an audit. Taxpayers and audit agents save their trump cards, hoping to win a bigger concession. With more information known between the taxpayer and the agent, the

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<sup>27</sup> *Supra* note 10, at 37.

<sup>28</sup> The University of Akron working with Carnegie Mellon University proposed the changes for the 1040 EZ and the 1040 A forms. They are now working on the 1040 form.

<sup>29</sup> IRS Manual Handbook, HB 6570 Sep. 27, 1985. UNDERSTANDING TAXES PROGRAM.

<sup>30</sup> *Id.*

<sup>31</sup> Hall, *supra* note 5.

<sup>32</sup> Letter, *supra* note 17, at 13.

<sup>33</sup> J. Schmehl, Can The Three Year Statute of Limitations Apply to Assessable Penalties? 68 *Journal of Taxation* 108, 111, Feb. 1988; *Commissioner v. Gibbs*, Remarks, NEW COMPUTER FINALLY FINKS COLLECTION DIVISION WITH THE SERVICE CENTER COMPUTER, 1R-87-140 (Nov. 5, 1987).

real issue of the audit will be readily apparent. Less litigation, time and expense will be required to settle audits. Problems will generally end earlier in the investigation process.

Taxpayers may well support this since thirty-three percent who experienced an audit felt the agent was still incorrect in the end.<sup>34</sup> Increasing information on both sides will lessen the chance to take drastically different stands on issues. Indeed, most of the noncompliance occurs in relatively clear areas of the law.<sup>35</sup> Once the IRS sees the issue and the taxpayer knows they have the information, the IRS can pursue the promising returns. Also, the taxpayer will settle faster because he or she knows the IRS has the correct information. Identifying the issue earlier increases certainty about the law.

One-step access will lessen erroneous information given to the taxpayer through information hotlines. In 1988, the General Accounting Office reported an erroneous answer rate for the IRS of thirty-nine percent.<sup>36</sup> The IRS argued it was *only* twenty-five percent.<sup>37</sup> The solution here is not to transfer all taxpayer assistance into the private sector (which may result in increased litigation over advice), but to make use of computer technology to increase accuracy of answers. The IRS should give correct answers about its own system.

Artificial intelligence is the future of the IRS.<sup>38</sup> Congress should continue to use research dollars to improve the matching system. The system should more readily identify high return audits, determine when to abate penalties, and provide technical information about taxpayer accounts.<sup>39</sup> This would increase quality and consistency of audits while at the same time reduce needed personnel.

Self-audits should be adopted on a national level. Many states now have self audits.<sup>40</sup> When the tax officer discovers a large discrepancy in the return, the officer sends it back to the taxpayer for a refiling. Massachusetts officers experienced 1/3 fewer hours spent on self-audited returns.<sup>41</sup> When the IRS does not have complete information, self-audits are less productive because there is less incentive to comply. With increased information on computers, the IRS will be able to show the taxpayer where the error is and cut back on the taxpayer's perceived ability to cheat. The yield from self-audits is quite high.<sup>42</sup>

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<sup>34</sup> K. Kinsey, SURVEY DATA ON TAX COMPLIANCE: A COMPENDIUM AND REVIEW (ABF Working Paper No. 8716, 1984).

<sup>35</sup> *Supra* note 15, at 54.

<sup>36</sup> *Supra* note 17, at 3.

<sup>37</sup> *Id.*

<sup>38</sup> *Id.* at 13.

<sup>39</sup> *Id.*

<sup>40</sup> Melia, IS THE PEN MIGHTIER THAN THE AUDIT? THE MASSACHUSETTS CAMPAIGN TO IMPROVE VOLUNTARY COMPLIANCE 1983-86 (1986).

<sup>41</sup> *Id.*

<sup>42</sup> *Id.*

Changing the type of information available on computer will help get problems into audit alternatives like self-audits or the Problems Resolution program.<sup>43</sup> One-step information should go from bottom line figures to more revealing facts such as issues and liability questions. The Problems Resolution program has much potential. The program is authorized to compromise and abate assessed penalties, a major cause of litigation.<sup>44</sup> Too few people know about this. Perhaps every IRS initiated action should include information about the Problems Resolution program.

Audit alternatives could have a big role in the future without losing the fear component of a possible audit. The audit rates are so low now, Congress should consider cost effective alternatives. (Audit rates in 1987 dropped to 1.09% for individuals and 1.58% for corporations).<sup>45</sup> Alternative methods can increase detection and not compromise audit quality. This cuts the high costs of full audits to both parties. It also allows both sides to correct information without the antagonism of a full audit.

The IRS should make correspondence easier to understand. Very specific letters about errors, the person to contact, and the action required by the taxpayer will help. The IRS could give the return back with the specific lines highlighted so the taxpayer can recalculate the problem area, rather than take a gamble that the IRS will not be able to uncover it.

#### COMPLEXITY

Closely associated with uncertainty is the complexity of the tax law. Increased tax legislation leads to complexity. Instead of rewriting the tax laws, Congress continues to add new laws and qualifications. This is difficult for tax practitioners, and nearly impossible for self preparers.

Competence leads to confidence. Before a taxpayer has the confidence to faithfully comply with the tax laws, the taxpayer must feel competent. To become competent in tax, education is required. Simplified or stabilized tax laws will facilitate the education process. A recent study indicates that as tax laws change and become more complex, people become more dissatisfied with the tax level and would prefer to have a simpler, easier to understand tax law.<sup>46</sup>

Increased computer information will expand the applicability of electronic filing. Now in its fourth year, electronic filing 'is perhaps our best hope for reducing

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<sup>43</sup> People who use the Problems Resolution program regard it as an effective way to cut through red tape and get problems resolved.

<sup>44</sup> RESEARCH INSTITUTE OF AMERICA, Weekly Alert 125, Apr. 28 (1988).

<sup>45</sup> Letter, *supra* note 17, at 2.

<sup>46</sup> A. Darnell & H. Gallaher, FEDERAL INCOME TAX POPULARITY: A TIME SERIES ANALYSIS OF THE POLITICAL AND ECONOMIC DETERMINANTS 1947-1984, (ABF Working Paper No. 8707, 1986).



the cost and burden of collecting tax information.’’<sup>47</sup> From recent testimony by IRS Commissioner Gibbs:

[a]s of April 4, 1988, over 500,000 returns had been filed electronically with the IRS. There are more than 2,400 preparers and 61 software firms participating in this year’s program (1988). The Service Centers that are receiving and processing electronic returns report no major problems.<sup>48</sup>

The 1989 tax year will experiment in free electronic filing.<sup>49</sup> Detroit and Akron are the two test centers.<sup>50</sup> The estimated turnaround on refunds is about two weeks.<sup>51</sup> The computer system will accommodate refund filing. Given that over seventy percent of individual filings are for refunds, computer filing will look attractive to many taxpayers.<sup>52</sup> Also, largely because of the individual dependent exemption, 3.5 percent more individuals filed returns in 1987.<sup>53</sup> Many of the returns are probably younger people filing for refunds. The expected yearly increase of individual returns was previously 2.2 percent.<sup>54</sup> In light of this increase, computer filing makes even more sense. Putting information into computers will easily and efficiently help the IRS deal with the data they receive.

If the test sites go well in 1989, Congress should expand computer filing nationwide in 1990. Let people know about it. Again, Commissioner Gibbs stated:

[p]rocessing paper is not a value-added service. If we can eliminate the paper and thereby divert resources away from the present manual processing of paper returns, IRS can focus more on true value-added services such as taxpayer assistance, tax examinations, and collection of delinquent accounts.<sup>55</sup>

The more the laws are changed and the more complex they become, the less taxpayers comply with them. Depreciation is an example. The number of changes and the additions to the depreciation tax codes in the past ten years is staggering.<sup>56</sup> One of the stated goals of TRA ’86 is simplicity. With revisions of TRA ’86 due in the coming year, Congress would do well to keep the relationship between simplicity and compliance in mind.<sup>57</sup> Maybe it is time to give the IRS some power in

<sup>47</sup> Letter, *supra* note 17, at 8.

<sup>48</sup> *Id.*

<sup>49</sup> Interview with Prof. James Childs, University of Akron Center for Taxation, Akron, Ohio (Oct. 23, 1988).

<sup>50</sup> *Id.*

<sup>51</sup> *Id.*

<sup>52</sup> Letter, *supra* note 17, at 8.

<sup>53</sup> *Statistics of Income Bulletin*, Winter 1987-1988. IR-88-89.

<sup>54</sup> *Id.*

<sup>55</sup> Letter, *supra* note 47.

<sup>56</sup> J. Freeland, S. Lind & R. Stephens, *FUNDAMENTALS OF FEDERAL INCOME TAXATION* 646-653 (6th ed. 1987).

<sup>57</sup> Gift taxation like most forms of federal taxation, is a complex area, made all the more complex by Congress’ frequent amendment of the underlying statute. *Dickman v. Commissioner*, 465 U.S. 330 (1984).

interpreting the tax code. Front-line workers are in a position to detect compliance trends earlier than legislators.<sup>58</sup>

Areas like estate tax and depreciation may also be greatly simplified without a loss in revenue, due to decreased enforcement costs and higher compliance. Could depreciation be eliminated with a consumption tax?<sup>59</sup> Does total cost in time, money, and headaches outweigh the tax benefits of the present depreciation laws? The answers are not clear.

A final thought is to use multi-year budgets for the IRS. Multi-year budgets allow more planning and less see-sawing so the IRS can reach long term goals.

### OPPORTUNITY

Voluntary noncompliance is directly proportional to opportunity.<sup>60</sup> While involuntary noncompliance is less dependent upon opportunity, the factors that decrease voluntary noncompliance often decrease involuntary noncompliance as well. The opportunity to underreport exists when the IRS asks a taxpayer to supply information or record imputed transactions, like depreciation.<sup>61</sup> The supply of "objective" information from sources other than the taxpayer increases compliance.

Increased third-party reporting is the most promising method available to increase compliance. The increase in computer information holding makes this more feasible than it has ever been in the past. Saving and loan institutions should be a primary target for reporting income. The 1982 Taxpayer Compliance Measurement Program (TCMP) examination results for individual income line items showed that 68.2 percent of returns involved interest.<sup>62</sup> 40.6 percent of these had an increase in amount due.<sup>63</sup> Virtually all saving and investment institutions are capable of computer information storage. With the new record requirements of TRA 86, there is a greater burden on the taxpayer.<sup>64</sup> Computers can ease this burden and increase compliance.

Another suggested method to cut down on the opportunity to cheat is by withholding more tax from the income source. However, the United States' voters see little enough of their paychecks now, and they would not likely support Congress' decision to withhold more.

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<sup>58</sup> ABA Report, *supra* note 10 at 32.

<sup>59</sup> D. Bradford and the U.S. Treasury Tax Policy Staff, BLUEPRINTS FOR BASIC TAX REFORM 2ND. (1984).

<sup>60</sup> K. Smith & K. Kinsey, UNDERSTANDING TAXPAYING BEHAVIOR: A CONCEPTUAL FRAMEWORK WITH IMPLICATIONS FOR RESEARCH (ABF Working Paper No. 8724, 1986).

<sup>61</sup> ABA Report, *supra* note 10, at 15.

<sup>62</sup> Taxpayer Compliance Measurement Program, Table 1 (1982).

<sup>63</sup> *Id.*

<sup>64</sup> Letter, *supra* note 17, at 17.

Simplifying deductions, credits and depreciation will cut back on the opportunity to cheat.<sup>65</sup> Depreciation is particularly complex. Stabilizing record requirements and calculations for depreciable assets will go a long way towards increasing compliance and accuracy.

The best method to attack opportunity, however, is to increase the use of computer information filing in all areas, not just wages. Projections for 1993 on information returns suggest that greater percentages of wage and information documents will be filed on electronic media with offsetting reductions in paper.<sup>66</sup> Congress can foster this trend by requiring magnetic filing for information areas with thresholds lower than the present 250.<sup>67</sup> Congress should strongly support this increase in computer information holding since it increases the cost-efficiency of the IRS matching program. Not only does the matching program increase compliance, it also increases detection. This is an important factor because of uncertainty in the amount of underreporting. More computer information filing combined with increasing the probability of detection will decrease the opportunity for noncompliance. Higher detection levels will also strengthen the IRS' image of accuracy.

Sanctions and fear are positively correlated with compliance. However, the fairness of penalties is under much heat.<sup>68</sup> One study showed that thirty percent of taxpayers did not collect their allowable deductions for fear of audits or penalties.<sup>69</sup> The IRS should take the correct tax, not the greatest possible tax. Penalties are now considered a valuable source of revenue.<sup>70</sup> This is not a good position for the Service to take in light of adverse attitudes about the tax system. Compliance has been relatively stable in the present decade.<sup>71</sup> The status quo, however, is not good enough. The penalty system needs complete rethinking.

### CONCLUSION

Noncompliance is a problem. Research has indicated four main factors that lead to noncompliance: attitudes, uncertainty, complexity and opportunity. Many different solutions exist. The IRS is advanced in some areas such as cutting back on opportunity, but is relatively weak in the area of influencing attitudes. Our suggestions are not inclusive.

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<sup>65</sup> ABA Report, *supra* note 10, at 19.

<sup>66</sup> Letter, *supra* note 17, at 7.

<sup>67</sup> *Id.*

<sup>68</sup> Letter, *supra* note 17, at 16. Current research at the University of Akron's Center for Taxation Studies indicates that penalties affect those in lower income tax brackets more than it affects those in higher income tax brackets. See, Testimony: United States Senate Committee on Finance Subcommittee on Penalties, 5 AKRON L. REV. 207 (1988)

<sup>69</sup> Yankelovich, *supra* note 22.

<sup>70</sup> H.R. CONF. REP. NO. 841, 99TH CONG., 2d SESS. II - 777, reprinted in 1986 U.S. CODE CONG. & ADMIN. NEWS 4075, 4865.

<sup>71</sup> ABA Report, *supra* note 10, figure 4.

Congress must take measures to reduce the tax gap. Research should also continue in order to strengthen the knowledge about the factors that lead to noncompliance. From this, more effective solutions can be discovered.

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