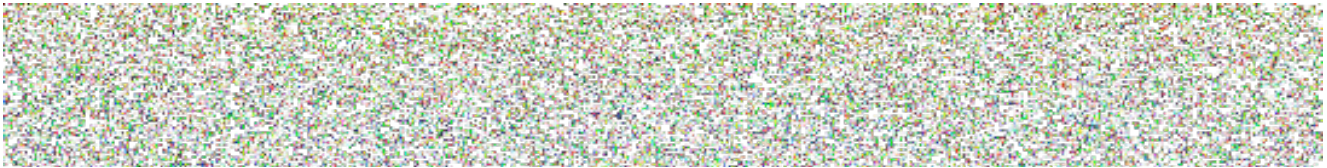


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IRS Funding Cut Days Before Report Shows \$330 Billion In Uncollected Taxes

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WASHINGTON -- As part of the budget deal hashed out on Friday evening, lawmakers agreed that no additional federal funds would be used to hire new IRS agents.

Then on Monday, the Government Accountability Office publicly [released a study](#) showing that, as of the end of fiscal year 2010, roughly \$330 billion in federal taxes had never been paid -- an amount that, if collected, would represent nearly nine times the amount of savings as the budget itself.

The dual developments aren't shocking. Despite [evidence](#) that a single dollar spent on enforcing the tax code could result in up to ten dollars in revenue, politicians, naturally, are reluctant to align themselves with tax collectors. And yet, the sacrificing of funds for IRS agents in the continuing resolution deal underscores a particular problem that seems bound to confront fiscally conscious lawmakers.

"Cutting back on IRS enforcement could easily cost the treasury much more in revenue than it saves," said Chuck Marr, Director of Federal Tax Policy at the Center on Budget and Policy Priorities.

The GAO report, which looks specifically at the issue of passport holders who have failed to pay their full share of taxes, underscores Marr's point. Titled "Federal Tax Collection: Potential for Using Passport Issuance to Increase Collection of Unpaid Taxes," the study labels poor enforcement of tax laws and the tax code as a "high-risk" hole in government policy. In fiscal year 2008, passports were issued to about 16 million individuals. Of those, more than 224,000 owed more than \$5.8 billion in unpaid federal taxes.

A good chunk of the evasion, the GAO concluded, was committed by individuals with "substantial personal assets" including multi-million-dollar homes and "luxury cars." One passport recipient bought a house for \$2 million and another property for \$1.5 million despite owing \$1 million in federal taxes.

“If you look, you can find records of most capital gains income,” said Rob Shapiro, former U.S. Undersecretary of Commerce. “People deposit it in their bank accounts or the institutions may issue reports if it is capital gains on stock transactions. So it is not hard to pick it up if you have the manpower to look for it. And again, given that the salary of an IRS agent is at least as high as the average salary in America, the fact that there is a ten-to-one ratio for the returns on auditing tells you that [tax evasion] is coming from the high-income brackets.”

Regardless of who the worst evaders are, the GAO concludes that “IRS enforcement of federal tax laws is vital,” not just to pinpoint the offenders but to promote “broader compliance.” And what do the study’s authors cite as a compelling reason to beef up IRS functions? A “federal deficit” that “continue[s] to mount.”

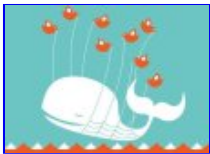
Indeed, several close observers of the budget debate have wondered exactly how lawmakers can shudder at going after tax evasion while simultaneously preaching fiscal responsibility on the stump. Marr, for one, noted that Congress has already disbanded a tax reporting provision in the president’s health care reform law that would have resulted in stronger compliance. That was scuttled for politically obvious reasons: the paperwork it placed on small businesses was deemed well beyond burdensome. But the decision to deny funding for more IRS agents doesn’t have such an easy-to-distill an explanation.

“Hiring more IRS agents would have allowed the Obama administration to enforce its agenda, insofar as its agenda is to make sure that people don’t cheat on their taxes,” [wrote Jonathan Cohn](#) in *The New Republic*.

Obama has made buffing up the IRS a relative hush-hush plank of his tax reform agenda. Upon entering office [he advocated](#) for more funds for the agency, and as part of his 2012 budget, he proposed a 9.4 percent increase so that it could hire roughly 5100 new employees. The proposal, which pivoted off of previous studies that reached similar conclusions as the GAO’s, was met with somewhat frenzied [pushback from conservative circles](#) -- the specter of black-suited tax collectors roaming the streets undoubtedly on the mind. And almost immediately, the suggested increase in IRS funds became a target of cut-happy legislators.

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