4D INTERNATIONAL JOURNALOFIT AND COMMERCE

ISSN-2319-104X

@4dcrossconnect.com.Inc2013

www.4dinternationaljournal.com

Volume3,Issue-2-2013

The Problem of Noncompliance with the Income Tax

Nisha Singh[1(Living Stone College,USA)]

R.D Sharma [2(Living Stone college,USA)]

1. Abstract

The effectiveness of taxation as a fiscal policy device to solve various economic problems may seriously be reduced if the system allows noncompliance with the income tax to occur. A significant amount of revenue is lost each year due to the violation of income tax rules. The main objective of this paper is to high light the problem of noncompliance with income tax in the United States and to propose appropriate remedies for correcting the problem. This study follows the theoretical approach, with conclusions drawn logically from existing literature on the noncompliance problems with income tax.

JEL: H 2, H 4. H 8

Key words: Taxation; noncompliance with the income tax; tax evasion; tax exemption; tax heaven;

2. Introduction

Taxation is a primary source of revenue for the United State as well as individual state governments. In addition to raising revenue, taxation has economic and social goals also. It has been used for achieving such economic objectives such as the expansion of investment and to balance the economy[1]. If taxation causes resources to be allocated more effectively, economic growth would be increased and the federal budget deficit will be decreased.Noncompliance with the income tax creates tax loss, a difference between taxes claimed to be due by the government and amounts voluntarily paid by taxpayers. The Internal Revenue service uses the term Tax Gap for tax loss[2].

Noncompliance adversely affects the efficiency of the tax system by creating misallocation of resources and budget deficits. It drives away the capital from productive economic activities to non-productive activities and thus reduces national revenue. In order to offset a budget deficit, the government expands the money supply, which in the absence of corresponding increase in production allows inflation to occur. Furthermore, noncompliance with the income tax may allow the creation of an underground economy, which in turn, increases the money supply in circulation without the government control. This boots the rate of inflation and makes it harder for the government to control. Thus, it is not possible to design an effective tax system without appropriate consideration to the problem of noncompliance.

The law imposes three obligations on taxpayers:

1. To file timely tax returns;
2. To prepare correct tax returns; and

---

[1] The Economic Recovery Act, 1981

([1]Livingstone College, Salisbury, N.C. 28144-Email-nsingh@livingstone.edu)

([2] Livingstone College, Salisbury, N.C. 28144Email-rsharma@livingstone.edu)

[2] Internal Revenue Service, U.S. Department of Treasury, *Reducing the Federal Tax Gap- A Report on improving voluntary compliance*, p.6, August 2, 2007

3. To pay the required tax voluntarily and timely[3].

Noncompliance with the tax results when taxpayers do not meet these obligations. It is to be emphasized that IRS estimates tax loss only with legal sector of economy; although tax is due on income from whatever source derived, legal or illegal[4].Broadly speaking, the sources of tax loss due to non-compliance may be classified as:

1. Tax loss due to legal activities such as underreporting income, overstating deductions, etc.
2. Tax loss due to illegal activities such as smuggling, gambling, prostitution, drug dealing, etc.
3. Tax loss due to tax haven.

Since illegal activities are punishable by law, the individuals or corporations engaged in such activities attempt to hide them[5]. Therefore, measuring the exact magnitude of tax loss due to illegal activities,therefore, isa very difficult task.It rests with law enforcement agencies to detect illegal activities and punish those responsible. Tax lost due to the tax haven must be control by the Federal Government by means of coordination with tax haven countries in order to improve transparency. This will require necessary changes in the income tax provisions relating to foreign

---

[3] American bar Association (ABA) *Commission on Taxpayer Compliance, Report and Recommendations on Taxpayer Compliance*, reprinted in 41 Tax Law, 329-386, 1987. Both the IRS and the Commission in their reports uses the term “Tax Gap” for tax loss due to noncompliance.

[4] The Internal Revenue Code, 1986, Section 61 and Treasury Regulation 1.61-14

[5] Richard Cebula and Edger L. Feize, *America’s Underground Economy: Measuring the Size, Growth and Determinants of Income Tax Evasion in the U.S.*, P 2-25. http://mpra.ub.uni-muenchen.de/34781/

tax credit, passive income, and profit sharing rules[6]among other changes in the Internal Revenue Code.

3. Scope of Noncompliance

The main problem in estimating noncomplianceof income tax is the absence of detailed and reliable information on taxpayers'compliance choices. They hide information on their tax evasion behavior, which makes difficult to assess precisely the tax loss.[7]The American Bar Association (ABA) Commission on Taxpayer Compliance estimated that approximately 81.5% of the tax owed on income from legitimate economic activities was voluntarily reported and paid; and much of 18.5% was lost due to noncompliance. Table 1 highlights the components of the total tax loss for 1981.

Table 1

Components of the Total Income Tax loss for 1981

(Billions of Dollars)

Sources	Amount of Loss
Corporate Taxes	6.2
Individual Taxes	75.3
Total Corporate and Individual Income Tax Loss	81.5

Sources: IRS (1983:3, Constructed from ABA Commission on Taxpayer Compliance), 41 Tax Law, 337 (1987).

Table 2

Components of the Individual Income Tax Loss for 1981

[6]Jone G. Gravelle, Tax Havens: *International Tax Avoidance and Evasions,* January 23, 2013.

[7] Ibid

(Billions of Dollars)

Sources	Amount of Loss
Unreported Income	$ 52.2
Overstate Deductions	12.9
Failure to File	6.8
Failure to File	2.9
Clerical Errors	0.5
Total Income Tax Loss	75.3

Sources: IRS (1983:3, Constructed from ABA Commission on Taxpayer Compliance), 41 Tax Law, 337 (1987).

Another study estimated that since 1975 the IRS has maintained the same market share in tax collection. It means that over past 38 years, the Internal Revenue Service has collected about 86.5 percent of the total taxes due. Eighty three (83) percent of the total comes from voluntary payment of taxes, and 3.5 percent results from IRS enforcement actions.[8]

The Internal Revenue Servicereported that since 2001 it has maintained the same market share in tax collection. It shows that the internal Revenue Service has collected about 83.7 percent of the taxesdue in 2006, almost the same as it was in 2001.[9]Table- 1 shows that the government lost more than 75 billions of dollars in individual taxes alone. Table 2 shows the components of tax loss for 1981in the individual income tax. Most of the loss in individual income tax is associated with sole proprietorships or self-employed individuals.

[8] U.S. Department of Treasury, Internal Revenue Service, FY 1992 Individual Gap, unpublished IRS paper 1994, reprinted from Phil Brand, *Compliance: A 21st Centaury Approach*, 69 national Journal, 416 (1996)

[9] IR, IRS Releases New Tax Gap Estimates; *Compliance Rates Remain Statistically Unchanged from previous Study,* IR-2012-4, Jan.6, 2012

According to the study conducted by the Internal Revenue Service, US Department of Treasury, 2007, gross Tax GAP due to noncompliance for 2001 isas shown in Table 3:

Table 3
Tax year 2001 Gross Tax Gap by Type of Tax and IRS Operating Division (Billions of Dollars)

Types of Tax	Under payment	Gap
Individual Income Tax	23.4	245
Corporation Income Tax	2.3	32
Employment tax	5.0	59
Estate tax	2.1	8
Excise Tax	0.5	1
Total	33.3	345

Sources: Constructed from Reducing the Federal Tax Gap, A Report on Improving Voluntary Compliance, Internal Revenue Service, U.S. Department of the Treasury, P.11, August 2, 2007.

Revenue estimates such as these may not be free from doubt due to the absence of detailed and reliable information an taxpayers' compliance behavior and practices.Nevertheless, the loss of revenue in the United States due to the noncompliance is quantitatively important. According to the revised IRS estimate, the net tax gapfor 2006 is approximately $ 385 billions.[10]

5.Causes of Noncompliance

Noncompliance with the income tax arises from many sources such as:

1. The tax on income from lawful activities that is not reporteddeliberately to revenue authorities;
2. The tax on income from lawful activities where the income is un-intestinally omitted;

[10] Ibid

3. Amount of tax due but not paid to revenue authorities on reported income:

4. The tax not paid because the tax payer relies upon the effectiveness of tax shelters; and

5. The tax not paid because, according to the law as stated, the liability of the taxpayer to pay tax on the incomes is unclear.[11]

For the sake of simplicity, the above-mentioned causes of noncompliance may be classified as tax planning and as tax evasion.

6.Tax Planning

Tax planning is a legal technique used to minimize the tax liability of taxpayers. It is a device to increase economic interest of the taxpayer who can reduce the incidence of tax to the minimum by intelligently planning tax affairs and taking advantage of tax shelter provisions in the income tax law. According to Judge Learned Hand in Commissioner v. New man:"Over and over again courts have said that there is nothing sinister in so arranging one's affairs as to keep taxes as low as possible. Everybodydoes so, rich or poor; and all do right, nobody owes any public duty to pay more than the law demands: taxes are enforced extractions, not voluntary contributions. To demand more in the name of morals is mere cant".[12]

The primary goal of effective tax planning is to reduce the taxpayer's total tax liability or to defer the tax in the future year. Minimization of payments, however, is to be considered in the context of the legitimate goals of tax paperas allowed by income tax laws.The Internal Revenue Code Contains many provisions such as income splitting; increasing or accelerating deductions, converting ordinary income into capital gains; and deferring the receipt of income, which

[11]Graeme S. Cooper, *Analyzing Corporate Tax Evasion*, 50 Tax L. Rev. 35, 36 (1994). Commissioner V. Newman, 159 F 2d, 848 (1947)

[12] Commissioner V. Newman, 159 F 2d, 848 (1947)

provide individual or corporations varying opportunities for tax planning.[13] It is observed, corporation that spend more on research and planning pay taxes at lower effective rates.[14]

Tax planning by corporations to some extent is the deferral of the share- holders' tax liability that results in larger untaxed profits which if retained will be taxed as capital gains to shareholders.A corporation is a legal entity which does not have any real existence because the shareholders are primary beneficiaries. Thus corporate tax, in many respects, is simply a withholding procedure against the income of shareholders. Sometimes, therefore,distinguishing corporate noncompliance due to corporate tax planning from individual income tax planning is difficult.

There is a very thin line between tax planning and tax evasion, which creates confusion and makes it difficult to separate tax-planning activities from tax evasion activities.[15] The confusion may be due to the complexity in the tax provisions, or due to the uncertainty as to how the taxpayer's activities would be classified by the Internal Revenue Service.The problem in separating tax planning from tax evasion mis-measurestax losses due to tax planning.

7.Tax Evasion

Tax evasion, which aims at the elimination or reduction of tax liability, connotes the use of fraud as a means to avoid tax. Failing to file a tax return; underreporting taxable income; overstating deductions, creditsadjustments to income are some of the main causes of tax evasion, which are difficulties to measure. Therefore, exact predictions of the magnitude of tax evasion problem are

---

[13] The Tax Reform Act, 1986 eliminated many provisions, which allow taxpayers to reduce taxable income, such as accelerated depreciation; *installment soles methods and preferential tax treatment of capital gains.* However, the Revenue Reconciliation Act, 1993 reinstated limited preferential tax treatment of Capital gains.

[14] Lillian F. Mills, Corporate Tax Compliance and Financial Reporting, 69 Nat'l Tax J. at 432 (1996)

[15]Graeme S. Cooper, *Analyzing Corporate Tax Evasion*, 50 Tax L. Rev. 35, 36 (1994).

difficult to make. Moreover, it is estimated that for 2006 the total under reported income was approximately $385 billion. Tax loss resulting from personal and corporate income taxes alone amounted to roughly $ 323 billion in 2006.[16]

Corporate tax evasion results from reasons which generally are not applicable to individual tax evasion. Tax evasion by corporations is likely to involve such devices as abusive tax shelters; aggressive pricing of assets, and the substantial use of tax havens.[17] Sometimes corporate tax evasion may result from the imperfect execution of legal tax avoidance schemes, and also due to the misinterpretation of tax rules by corporate managers.In order to reduce tax liability many businesses are continuously involved in tax research and planning. Due to thelack of clarity in tax laws, managers incorrectly misinterpret them which results in noncompliance with income tax. The Internal Revenue Service estimated that noncompliance by corporations due to tax evasion resulted in a revenue loss of about $67 billion in 2006. Out of the 67 billion losses, $19 billion was due to non compliance by small corporations with assets valued less than $10 million, and the remaining $48 billion loss was the responsibility of large corporations with assets more than 10 million dollars.[18]Since corporations are legal entities having no real existence, corporate tax evasion can be thought of simply as evasion by shareholders who own stock in corporations.

8.Remedies to Reduce Noncompliance

[16]Internal Revenue Service, Tax Gap “Map” Tax year 2006 ($billions) December 2011.

[17] J.G. Gravelle, *Tax Havens: International Tax Avoidance and Evasion, Congressional Research Service*, January 23,2013

[18]Internal Revenue Service, Tax Gap “Map” Tax year 2006 ($billions) December 2011.

Reducing opportunity for tax evasion, improving administrative efficiency, and changing taxpayer behavior would help improve compliance with the income tax.

8.1. Reducing opportunity- Opportunity to escape detection is one of the most important factors contributing to noncompliance with the income tax. Nonwage income, complex tax laws, and inaccurate information that are reported on the tax return are primary factors which provide taxpayer opportunity for tax evasion. It is not easy to verify the accuracy of the income which is derived by nonwage sources, such as self-employment. Thus, self-employed taxpayers and those with large amount of nonwage income have more opportunities for noncompliance as compared to those who pay income tax at its sources.Taxpayers who are subject to withholding tax pay more taxes due on their income, as compared totaxpayers who are not subject to withholding.The Internal Revenue Service estimated that in 1992, 40% of self-employed under reported their business income as compared to 9% of the taxpayers subject to withholding tax.[19]Withholding tax at its sourceencouragesthird party withholding and simplifies the tax structure that has a profound effect on taxpayer compliance[20].

8.2- Reducing Complexity- Complexity in tax laws is another important factor, which provides taxpayers with opportunity to evade tax by manipulating income, expenses and deductions. Lack of clear language; a plethora of rules and regulations; and conflicting interpretations of tax laws by the IRS and courts provide opportunities for intentional or unintentional noncompliance. Many taxpayers persist in discovering new loopholes in the tax law, which reduces chances to detect evasion.Furthermore, due to complexity, taxpayers may not

---

[19] U.S. Department of Treasury, Internal Revenue Service, FY 1992 Individual Gap, unpublished IRS paper 1994, reprinted from Phil Brand, *Compliance: A 21st Centaury Approach,* 69 national Journal, 416 (1996)

[20] Debra L. Sanders, Phil M.J. Reckers and Govind S. Iyer, *Influence of accountability and Penalty Awareness on Tax Compliance,* Journal of American Accounting Association, 3, Fall (2008

know their true tax liability, causing them to make honest mistakes in tax payments. Simplifying tax laws would reduce both intentional and unintentional errors in tax accounting. Realizing that tax complexity may be one of the sources of non-compliance, FY 2008 budget requested to include proposals for tax simplification.[21]

8.3. Improving Tax administration- Effective tax administration improves tax compliance. Tax audits and examination, which aim to investigate and verify the accuracy of reported information,is key to effective tax administration. Many empirical studies suggest that higher audit rates increase compliance, ranging from 10 to 20 percent.[22] By audits and examinations, the Internal Revenue Service may increase revenue for the Treasury through successful resolution of large corporate adjustments. It is expected that the Internal Revenue Service should continue to give high priority to develop procedures for improving the fairness and effectiveness of audits. According to the IRS Audit Statement"It is the responsibility of each person in the service, charged with the duty of interpreting the law, to try to find the true meaning of the statutory provisions and not to adopt a strained construction in the belief that it would protect the revenue".[23]

The audit rate, however, has declined substantially over the past decades. For example, audit coverage of individuals has a steady decline from an audit rate of about 2% in 1978 to 1% in 1988. The audit rate for non-business returns with gross income of $50,000 or more dropped

---

[21]Internal Revenue Service, U.S. Department of the Treasury. *Reducing the Federal Tax Gap- A Report on Improving Voluntary Compliance*, P.6, August 2,(2007)

[22] Dublin ET. AL., *An Empirical Analysis of Income Tax Auditing and Compliance,* 41 National Tax Journal, 61-74 (1988). See also James ET. AL, *Estimating the determinants of Taxpayers Compliance with Experimental Data*, 65 National Tax Journal, 107-114 (1992)

[23] John, ET.AL., Twenty Ninth Annual Heart of America Tax Institute, Kansas City, Missouri- *KeyDevelopments in Tax Practice and Procedure*, Audit, 2 (1992). See also Internal Revenue Service, supra note 4 at 4

from almost 8% in 1981 to 7% in 1988. The audit rate for business returns with income in excess of $25,000 dropped from 4.67% in 1981 to 2.25% in1988.This trend creates doubt about the success of IRS tax compliance strategy. The decline in the audit rate would decline the compliance rate.[24]The IRS cannot possible examine every return that is filed by taxpayers. Currently, the rate of audit is about 2 percent of all returns filed. The IRS uses five general methods to verify the accuracy of all tax returns filed. They are Discriminate Function System (DIF), Taxpayer Compliance Measurement program (TCMP), document perfection program, information matching program and special audit programs. The IRS need to hire and train qualified auditors who understand complicated business issues and provide courteous service to tax payers.

8.4. Changing Taxpayer Behavior – The standard model of taxation presumes that taxpayers are honest and voluntarily pay all of their taxes. This assumption may not be correct. Taxpayers take variety of actions, including tax evasion to reduce their tax liability. Tax evasion reflects a weakness in public morality and a degree of public acceptance for cheating and dishonesty, which it is suggested, need strict low enforcement policies and more criminal prosecutions of tax violators.[25]Fear of detection or punishment, however, may dissuade honest taxpayers from practicing noncompliance, but it is not likely to deter the practice in the long run. Furthermore, there are limits to strategies based on punishment and enforcement.An

---

[24] Dublin ET. AL., *An Empirical Analysis of Income Tax Auditing and Compliance*, 41 National Tax Journal, 61-74 (1988). See also James ET. AL, *Estimating the determinants of Taxpayers Compliance with Experimental Data*, 65 National Tax Journal, 107-114 (1992)

[25]Joel B. Slemrod, tax analysis with a Human face: *Closing the Gap between Theory and Practice, invited Lecture, 49 Public Finance and Irregular Activities*, 2 (1994). See also Jeffry, supra note for discussion on the relationship between tax enforcement and compliance. See alsoJeffery, ET.AL.,*The Changing Face of Tax Enforcement*, 1978-1988, 43 Tax Law 894-897 (1990) see also supra note 4 at 4.

improvement in moral climate would be more effective in reducing noncompliance with the income tax.

Personal moral commitments to obey tax laws are consistently related to taxpayer compliance. A taxpayer's perception as to the fairness of the tax system, reasonable tax rates, and simplicity in tax structure would strengthen moral commitments to obey tax laws. It is suggested that the Internal Revenue Service should take appropriate steps to educate taxpayers and to reinforce that the tax system is free from bias and IRS collects a fair share from all taxpayers. According to the report of the Commission on Taxpayer Compliance, while improvements in procedures can help reduce noncompliance, a change in public attitudes is also needed. Influential individuals in all fields have a responsibility to speak out publicly against tax cheating. Businesses, professional groups, unions, civic organizations and public officials should actively encourage tax compliance. With this broad public leadership, the moral climate condoning tax cheating can be reversed.[26]

In short, the following steps, which are in concurrence with the Treasury Department's Comprehensive Strategy for reducing the tax gap, are proposed to correct the problem of noncompliance with the income tax in United States[27]:

1. Programs to decrease opportunity for tax evasion such as tax deduction at source and third party reporting should be strengthened;
2. Steps should be taken to enforce the existing requirements for filing information returns and increasing the accuracy of the information reported on tax returns;

---

[26] Brian, Erand, and Jonathan S. Feinstein, *Honesty and Evasion in the tax Compliance game, Rand Journal of Economics,* vol. 25, No 1, spring (1994).

[27] Internal Revenue Service, U.S. Department of the Treasury, Reducing the Federal Tax Gap- A report on improving voluntary compliance, August 2,2007.

3. Programs should be designed to improve taxpayers cooperation and to encourage future compliance;
4. Steps should be taken to create simplicity and certainty in tax laws and tax structures;
5. Steps should be taken to create perception among taxpayers that the tax system is fair and taxes are used for public good;
6. Compulsory courses in tax ethics should be taught at high school and college levels. Universities and colleges should be encouraged to establish effective VITA (Voluntary Income Tax Assistance) programs on campuses;
7. Public officials, religious leaders, corporate and union officials, and popular celebrities should play a big role in attempting to influence taxpayer behavior;
8. The Internal Revenue Service should create partnership with different industry groups to understand market segments and to develop guidelines that may be used across entire market segments;
9. Additional resources should be invested in audit and technology areas, and
10. IRS employees should be trained to provide courteous customer service to tax payers

9.Conclusion

The compliance with the income tax not only reduces the budget deficit; it also facilitates successful implementation of fiscal and monetary policies to balance national economy. As a fiscal policy tool tax compliance reallocates resources from non-productive activities to productive economic activities. The Internal Revenue Code, 1986 made an important attempt in this direction by introducing the concept of active and passive economic activities and denying interest deduction for junk bonds.[28]Similarly, income tax compliance indirectly controlsthe circulation of money in the economy. Tax loss due to illegal activities or underground economy increases unwarranted money supply, which adds to the inflation without corresponding increase in productive activities. Money saving through tax compliance would add to the national revenue, encouraging productive activities and properly regulating money supply in the economy. Thus, compliance with income tax would help the government to successfully implement national fiscal and monetary policies, and to balance the economy.

References:

American Bar Association (ABA) *Commission on Taxpayer Compliance, Report and Recommendations on Taxpayer Compliance,* reprinted in 41 Tax Law, 329-386, 1987. Both the IRS and the Commission in their reports uses the term “Tax Gap” for tax loss due to noncompliance.

Brian, Erand, and Jonathan S. Feinstein, *“Honesty and Evasion in the tax Compliance Game”,* Rand Journal of Economics, vol.25, No 1, spring (1994).

Commissioner V. Newman, 159 F 2d, 848 (1947)

Debra L. Sanders, Phil M.J. Reckers and Govind S. Iyer, “*Influence of Accountability and Penalty Awareness on Tax Compliance”*, P.6, August 2, (2007)

Dublin ET. AL., “*An Empirical Analysis of Income Tax Auditing and Compliance*, 41 National Tax Journal, 61-74 (1988)”. See also James ET. AL,

Graeme S. Cooper, “*Analyzing Corporate Tax Evasion”*, 50 Tax Law Review, 35, 36 (1994)

Graeme S. Cooper, *Analyzing Corporate Tax Evasion*, 50 Tax Law Review, 41, Note 34

Internal Revenue Service, U.S. Department of Treasury, *Reducing the Federal Tax Gap – “A report on improving voluntary compliance”*, p.6, August 2, 2007

Internal Revenue Services, Tax Gap “Map” Tax year 2006

[28]Internal Revenue Service, U.S. Department of the Treasury.*Reducing the Federal Tax Gap- A Report on Improving Voluntary Compliance*, P.6, August 2,(2007)

Internal Revenue Service, Tax “Map” Tax year 2006 ($ billions, December 2011) However, *“The Revenue Reconciliation Act, 1993 reinstated limited preferential tax treatment of capital gains”*.

IR, IRS Releases New Tax Gap Estimates; *“Compliance Rates Remain Statistically Unchanged From Previous Study”*, IR-2012-4, Jan.6, 2012

Internal Revenue Services, U.S. Department of the Treasury: *Reducing the Federal Tax Gap- “A Report on Improving Voluntary Compliance”*, P.6, August 2,2007.

Jone G. Gravelle, Tax Havens: *“International Tax Avoidance and Evasions”*, January 23,2013.

John, ET. AL., Twenty Ninth Annual Heart of America Tax Institute, Kansas City, Missouri “*Key Developments I Tax Practice and Procedure”*, Audit, 2 1992. See also Internal Revenue Service, supra note 4 at 4.

Joel B. Slemrod, tax analysis with a Human face: *“Closing the Gap between Theory and Practice, Invited Lecture, 49 Public Finance and Irregular Activities”*, 2 (1994). See also Jeffry, supra note for discussion on the relationship between tax enforcement and compliance.

Jeffery, (1990) The Changing Face of Tax Enforcement, 1978-1988, 43 Tax Law 894-897, see also supra note 4 at 4

Lillian F. Mills, Corporate Tax Compliance and Financial Reporting, 69 Nat’ 1 Tax J. at 432 (1996). “*It is observed, the firms that spend more on tax research and planning pay taxes at lower rates, and public utilities have greater gains from tax research and planning”*. The benefits of tax savings to businesses due to tax planning are more than the cost incurred in tax research.

The Internal Revenue Code, 1986, Section 61 and Treasury Regulation 1.61-14

The Internal Revenue Code, 1986, Section 469

The Economic Recovery Tax Act, 1981

Richard Cebula and Edger L. Feize, *“America’s Underground Economy: Measuring the Size, Growth and Determinants of Income Tax Evasion in the U.S.*”, P 2-25.http://mpra.ub.uni-muenchen.de/34781/

See generally, J.G. Gravelle, *Tax Havens: “International Tax Avoidance and Evasion, Congressional Research Service”*,January 23, 2013

The Tax Reform Act, 1986 eliminated many provisions which allow taxpayers to reduce taxable income, such as accelerated depreciation; “*Installment Soles Methods and Preferential Tax Treatment of Capital Gains”*.

U.S. Department of the Treasury, Internal Revenue Service, Business Master Plan, FY 1995-2001, (April 1994)

U.S. Department of Treasury, Internal Revenue Service, FY 1992 Individual Gap, unpublished IRS paper 1994, reprinted from Phil Brand, *"Compliance: A 21st Centaury Approach"*, 69 national Journal, 416 (1996)