TAX GAP MAP for Tax Year 2001 (in $ Billions)

Total Tax Liability $2,112

Gross Tax Gap: $345
(Noncompliance Rate: NCR = 16.3%)

Tax Paid Voluntarily & Timely
$1,767
(Voluntary Compliance Rate: VCR = 83.7%)

Enforced & Other Late Payments $55 *

Net Tax Gap (Tax Not Collected) $290

Nonfiling † $27

Individual Income Tax $197
Corporation Income Tax $30
Employment Tax $54
Estate Tax $4
Excise Tax #

Underreporting $285

Individual Income Tax $197
Corporation Income Tax $30
Employment Tax $54
Estate Tax $4
Excise Tax #

Non-Business Income $56
Business Income $109
Adjustments, Deductions, Exemptions $15
Credits $17

Small Corporations (Under $10M) $5
Large Corporations (Over $10M) $25

FICA $14
Self-Employment Tax $39
Unemployment Tax $1

FICA $14
Self-Employment Tax $39
Unemployment Tax $1

Certainty of the Estimates

Actual Amounts
Reasonable Estimates
Weaker Estimates

* IRS will continue to collect late payments for TY01 for years to come. This category includes tax paid late by taxpayers without IRS enforcement action. For comparison, $24.3B of tax was collected solely through enforcement in FY2001.

† Updated using Census tabulations

# No estimates available

Estimates in Bold Boxes Have Been Updated Based on Detailed TY01 NRP Results
Tax Year 2001 Individual Income Tax Underreporting Gap

Underreporting of Income By “Visibility” Categories

I. Amounts subject to substantial information reporting and withholding (Wages & salaries)
   - $10.5 B
   - 1.2%

II. Amounts subject to substantial information reporting
    - $9.1 B
    - 4.5%

III. Amounts subject to some information reporting
    - $50.6 B
    - 8.6%

IV. Amounts subject to little or no information reporting
    - $110.1 B
    - 53.9%

Based on updated estimates derived from the National Research Program underreporting compliance study.
## Individual Income Tax Underreporting Gap Estimates, Tax Year 2001

<table>
<thead>
<tr>
<th>Category</th>
<th>Tax Gap ($B)</th>
<th>NMP †</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Items Subject to Substantial Information Reporting and Withholding</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Wages, salaries, tips</td>
<td>10.5</td>
<td>1.2%</td>
</tr>
<tr>
<td><strong>Items Subject to Substantial Information Reporting</strong></td>
<td>9.1</td>
<td>4.5%</td>
</tr>
<tr>
<td>Interest income</td>
<td>1.6</td>
<td>3.6%</td>
</tr>
<tr>
<td>Dividend income</td>
<td>1.1</td>
<td>3.7%</td>
</tr>
<tr>
<td>State income tax refunds</td>
<td>0.6</td>
<td>11.6%</td>
</tr>
<tr>
<td>Pensions &amp; annuities</td>
<td>4.2</td>
<td>4.1%</td>
</tr>
<tr>
<td>Unemployment Compensation</td>
<td>*</td>
<td>11.1%</td>
</tr>
<tr>
<td>Social Security benefits</td>
<td>1.1</td>
<td>5.8%</td>
</tr>
<tr>
<td><strong>Items Subject to Some Information Reporting</strong></td>
<td>50.6</td>
<td>8.6%</td>
</tr>
<tr>
<td>Partnership, S-Corp, Estate &amp; Trust, etc.</td>
<td>22.0</td>
<td>17.8%</td>
</tr>
<tr>
<td>Alimony income</td>
<td>*</td>
<td>7.2%</td>
</tr>
<tr>
<td>Capital gains</td>
<td>11.0</td>
<td>11.8%</td>
</tr>
<tr>
<td>Deductions</td>
<td>13.5</td>
<td>5.4%</td>
</tr>
<tr>
<td>Exemptions</td>
<td>4.2</td>
<td>5.4%</td>
</tr>
<tr>
<td><strong>Items Subject to Little or No Information Reporting</strong></td>
<td>110.1</td>
<td>53.9%</td>
</tr>
<tr>
<td>Form 4797 income</td>
<td>3.3</td>
<td>64.4%</td>
</tr>
<tr>
<td>Other income</td>
<td>22.6</td>
<td>63.5%</td>
</tr>
<tr>
<td>Nonfarm proprietor income</td>
<td>68.0</td>
<td>57.1%</td>
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<tr>
<td>Farm income</td>
<td>5.8</td>
<td>72.0%</td>
</tr>
<tr>
<td>Rents &amp; royalties</td>
<td>13.4</td>
<td>51.3%</td>
</tr>
<tr>
<td>Total Statutory Adjustments</td>
<td>-3.0</td>
<td>-21.1%</td>
</tr>
<tr>
<td><strong>Not Shown on Visibility Chart</strong></td>
<td>17.1</td>
<td>26.3%</td>
</tr>
<tr>
<td>Credits</td>
<td>17.1</td>
<td>26.3%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>197.4</td>
<td>18.0%</td>
</tr>
</tbody>
</table>

† NMP = Net Misreporting Percentage, the net amount of income or offset misreported divided by the amount that should have been reported.

* Less than $0.5 billion.
Individual Income Tax Underreporting Gap
Little or No Information Reporting
(Dollars in Billions)

- Proprietor (Non Farm): 64
- Other Income: 13
- Rents & Royalties: 23
- Farm Income: 6
- Sales of Business Property: 3
- Adjustments: 1

Internal Revenue Service • February 2007