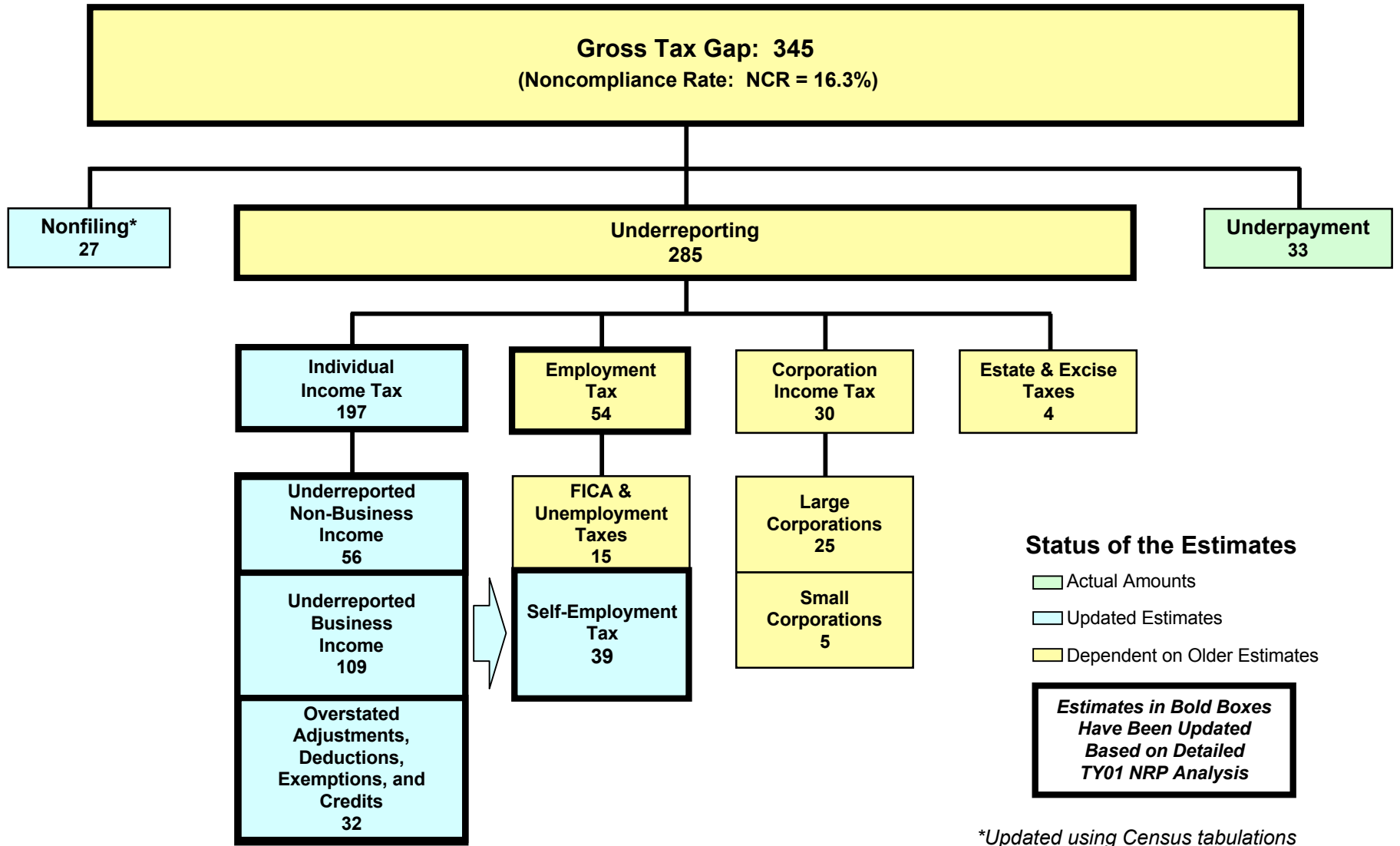


Tax Year 2001 FEDERAL TAX GAP

(in Billions of Dollars)



*Updated using Census tabulations

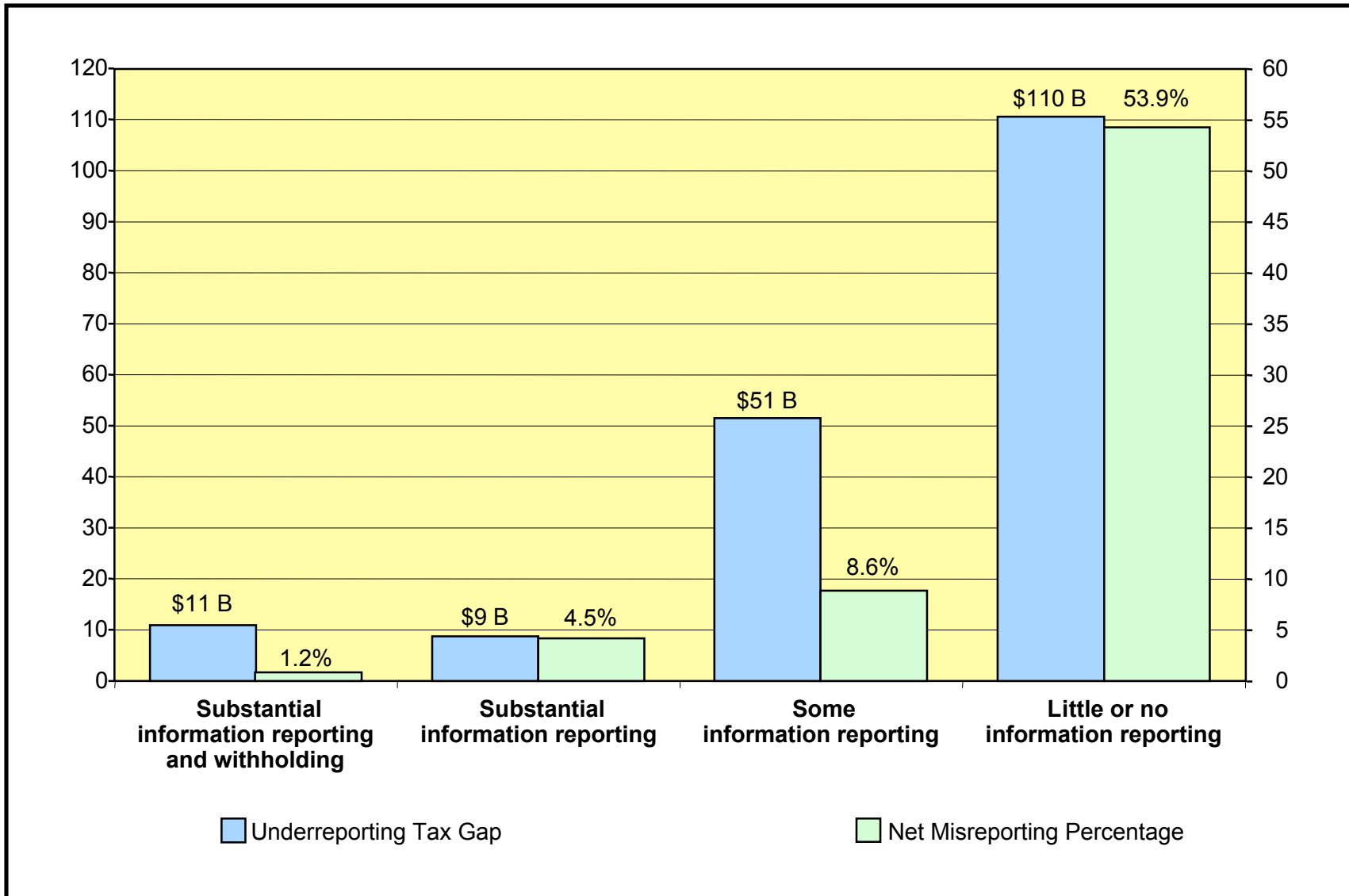
Individual Income Tax Underreporting Gap Estimates, Tax Year 2001

| <i>Type of Income or Offset</i> | <i>Tax Gap (\$B)</i> | <i>NMP †</i> |
|---|----------------------|--------------|
| Total Underreporting Gap | 197 | 18% |
| Underreported Income | 166 | 11% |
| <i>Non-Business Income</i> | 56 | 4% |
| Wages, salaries, tips | 10 | 1% |
| Interest income | 2 | 4% |
| Dividend income | 1 | 4% |
| State income tax refunds | 1 | 12% |
| Alimony income | * | 7% |
| Pensions & annuities | 4 | 4% |
| Unemployment Compensation | * | 11% |
| Social Security benefits | 1 | 6% |
| Capital gains | 11 | 12% |
| Form 4797 income | 3 | 64% |
| Other income | 23 | 64% |
| <i>Business Income</i> | 109 | 43% |
| Nonfarm proprietor income | 68 | 57% |
| Farm income | 6 | 72% |
| Rents & royalties | 13 | 51% |
| Partnership, S-Corp, Estate & Trust, etc. | 22 | 18% |
| Overreported Offsets to Income | 15 | 4% |
| Adjustments | -3 | -21% |
| SE Tax deduction | -4 | -51% |
| All other adjustments | 1 | 6% |
| Deductions | 14 | 5% |
| Exemptions | 4 | 5% |
| Credits | 17 | 26% |
| Net Math Errors (non-EITC) | * | |

† NMP = Net Misreporting Percentage, the amount of income or offset misreported divided by the amount that should have been reported.
Internal Revenue Service • 14 February 2006

* Less than \$0.5 billion.

Individual Income Tax Underreporting Gap



Individual Income Tax Underreporting Gap Little or No Information Reporting

(Dollars in Billions)

