

INTRODUCTION

The tax gap for 1981 was estimated to be over \$81 billion, with over two-thirds (\$55 billion) attributable to unreported individual income taxes. The seriousness of this situation is underscored by estimates that in five years, the portion of the gap attributable solely to unreported income of individuals, will reach \$98 billion, larger than all the components of the current tax gap combined.

The initiatives that follow are designed to translate the Strategic Directions on Strengthening Voluntary Compliance into action and concentrate particularly on the problem of non-compliance by individual income taxpayers. These include the "nonfarm business" or self-employed taxpayers, whose noncompliance stands out as a growing concern within the area of unreported income.

In all, fifteen initiatives will be pursued with the intent of strengthening voluntary compliance. Many recommend or support specific projects that concentrate on bolstering compliance through no-cost or relatively low-cost initiatives. These proposals look outside, as well as within IRS for solutions.

The Service will attempt to broaden its knowledge about taxpayers' attitudes and perceptions about tax laws and IRS' administration of laws in order to devise more pertinent and effective programs and communications. Expanded use of computer technology for tax assistance as well as more efficient enforcement programs will be explored. The need for adequate planning is stressed in order to be prepared for future technological changes expected to impact tax administration.

Externally, the Service will be looking to other federal agencies, state governments and non-government organizations to join in cooperative efforts to promote compliance with the tax laws. These efforts involve improved enforcement efforts and better tax education, particularly for self-employed taxpayers.

In summary, the Strategic Initiatives for Strengthening Voluntary Compliance recognize that the Service must look to diverse and innovative solutions that do not demand major staffing commitments. These initiatives should make substantial inroads against the compliance decline and, together with other projects planned or underway, will prove effective in strengthening voluntary compliance.