Episodes 69- On the Tax Gap

This document provides resources for educators looking for ways to incorporate current events into their curriculum. Each podcast episode is approximately 20 minutes long and available on all major podcast outlets for free. This document provides opportunities for either short-answer/essay-style questions or discussion questions to delve further into topics. Email taxnerds@gmail.com for an answer key.

In this episode, we discuss the sources of the tax gap in the U.S., what it means for government operations, and how we can close it.

Concepts covered

- Government Spending/Funding
- The Tax Gap

Multiple choice/True False

1. Which of the following best describes the tax gap?
    a. It is the estimated difference between the amount U.S. taxpayers owe in tax and the amount they pay on time each year.
    b. It is the amount of tax evasion in the U.S.
    c. It is the difference between the individual and corporate tax rates in the U.S.
    d. It is the difference between annual tax collections and annual tax expenditures

2. According to data from the IRS from 2014 through 2016, what was the estimated U.S. gap?
    a. $500 M
    b. $500 B
    c. $1 T
    d. $3.3 T

3. True or False: The U.S. is generally viewed as having a relatively high tax compliance rate compared to other countries.
    a. True
    b. False

4. Which of the following is **not** a part of the tax gap?
    a. The non-filing gap
    b. The unaudited gap
    c. The underreporting gap
    d. The underpayment gap

5. What is the biggest part of the tax gap in the U.S.?.
    a. The non-filing gap
    b. The underreporting gap
    c. The underpayment gap
    d. The unaudited gap

6. Which category of taxpayers contributes most to the tax gap?
    a. Individuals
    b. Large corporations
    c. Small corporations
    d. Trust and estates

7. According to the podcast, which of the following types of noncompliance are not fully incorporated into tax gap estimates because of a lack of data? Select all that apply.
    a. Offshoring investments
    b. Digital assets and crypto investing
    c. Corporate noncompliance
    d. Employment tax evasion

8. According to the testimony from former IRS Commissioner Charles Rettig in 2021, the tax gap is likely _______ than what the IRS estimates.
    a. More
    b. Less
    c. No different

9. Which of the following suggestions does the Government Accountability Office have for closing the tax gap? Select all that apply.
    a. Hire more IRS agents
    b. Make the tax code less complex
    c. Improve taxpayer services
    d. Lower the tax rate for individuals

10. Why is a large tax gap detrimental?
    a. It indicates that tax compliance costs are too high.
    b. It indicates the tax code is too lax.
    c. It means the government has less money available for spending.
    d. It means the IRS' budget is too high.

11. According to the podcast, when tax collections fall short of expectations, the government can respond by doing which of the following? Select all that apply.
    a. Cutting spending
    b. Issuing more currency
    c. Borrowing more money
    d. Raising taxes

Discussion questions:

Access the report on the tax gap and review the language that compares the 2011-2013 estimated gap to the 2014-2016 estimated gap. Explain in your own words the reasons for the differences. Specifically address how the total tax gap could increase while the voluntary compliance rate also increases.

Explain in your own words why individual business income comprises such a large part of the tax gap.

Explain in your own words whyy large corporate taxpayers represent such a small part of the tax gap.

Explain why third-party reporting can reduce the tax gap.