

Amendment 2225 — To prohibit federal tax cheats from receiving federal farm subsidies

Reducing our national debt—which now exceeds \$15.8 trillion—is the most critical issues facing our nation. Our country simply cannot survive if we continue down this unsustainable course.

Savings—no matter how big or small—are necessary from all facets of the federal budget. While millions of Americans continue to send back portions of their hard earned wages to Washington, some are failing to contribute. Congress should not continue to provide federal subsidies of any kind to individuals or companies that are cheating the system and refusing to pay their fair share of taxes—what they legally owe the government.

This amendment would prohibit any federal farm assistance, including farm subsidies, loans, grants and other forms of assistance from being provided to individuals and entities that are seriously delinquent in their tax debt to the United States Treasury.

This amendment is more than fair. It will only prohibit federal farm assistance for those who have willfully neglected to pay their incomes taxes and excludes individuals who have made a good faith effort on their part to pay up.

The assistance prohibition would not apply if:

- 1) The individual is currently paying the taxes, interest, and penalties owed to IRS under an installment plan;
- 2) The individual and the IRS have worked out a compromise on the amount of taxes, interest and penalties owed and the compromise amount agreed upon is being repaid to IRS;
- 3) The individual has not exhausted his or her right to due process under the law (broad exception that references administrative or judicial remedies); or
- 4) The individual filed a joint return and successfully contends that he or she should not be fully liable for the taxes, interest, and/or penalties owed because of something that the other party to the return did or did not do (relevant in divorce cases).

In 2010, federal farming subsidies in the United States totaled nearly \$6 billion. Many of the largest recipients of farm subsidies are corporations, including GPA Management Group in Arizona, which received at least \$1.8 million in federal farm assistance in 2010. Meanwhile, three other farming companies, located in Idaho, Arkansas and Arizona, also received more than \$1 million in annual subsidies.

Unpaid Taxes in the United States

Total taxes owed in 2006: **\$2.66 trillion**

Gross tax gap for 2006 (taxes owed but not collected on time): **\$450 billion**

Net tax gap in 2006 (taxes still not paid after late payments and enforcement): **\$385 billion**

According to the Internal Revenue Service (IRS), the “tax gap,” the difference between the amount legally owed in taxes and the amount actually collected, was \$385 billion in 2006, the most recent year for which data is available, representing an 85.5 percent compliance rate.

Reasons for gross tax gap in 2006:

Not filing at all: **\$28 billion**

Underpayment: **\$46 billion**

Underreporting of income: **\$376 billion¹**

Farm Income is one of the types of income most likely to be underreported. Farm Income is one of the types of income most likely to be underreported. The misreporting of Farm Income is 72%.²

Income that is subject to third-party information reporting, such as the reports businesses file with the IRS on their employee’s income, is the least likely to be misreported. Farm income is one of the types of income that is subject to little or no information reporting. These types of income are very likely to be misreported (the percentage of income required to be reported but not reported.)

56 percent of this kind of income was not reported correctly in 2006.³ (see chart, right column)

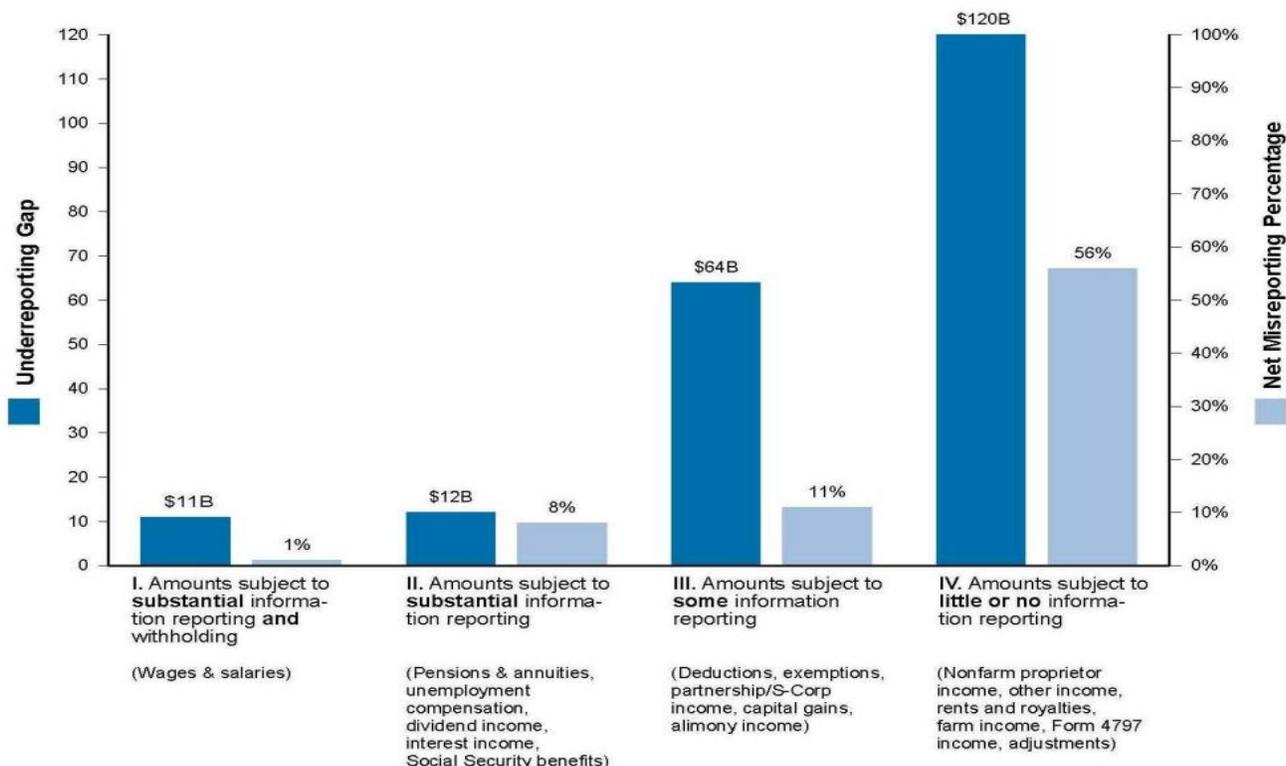
¹ <http://www.irs.gov/newsroom/article/0,,id=252038,00.html>

² http://www.irs.gov/pub/irs-news/tax_gap_figures.pdf, p. 2

³ http://www.irs.gov/pub/newsroom/overview_tax_gap_2006.pdf

Chart 1: Effect of Information Reporting on Taxpayer Compliance

Tax Year 2006 Individual Income Tax Underreporting Gap and Net Misreporting Percentage, by "Visibility" Category



NOTE: Net Misreporting Percentage is defined as the net misreported amount of income as a ratio of the true amount.
Internal Revenue Service, December 2011

Individual Income Tax Underreporting Gap Estimates, Tax Year 2001

| Type of Income or Offset | Tax Gap (\$B) | NMP † |
|---|---------------|------------|
| Total Underreporting Gap | 197 | 18% |
| Underreported Income | 166 | 11% |
| Non-Business Income | 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% |
| Business Income | 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

* Less than \$0.5 billion.

