

Foreword

This edition of the *IRS Research Bulletin* (Publication 1500) features highlights from the latest IRS Research Conference held at the Willard InterContinental Hotel in Washington, DC, on June 2-3, 2004. After opening remarks by Research, Analysis, and Statistics Director Mark J. Mazur, Commissioner Mark Everson addressed a gathering of 275 attendees, including employees from the IRS, the General Accountability Office, the Census Bureau, the Social Security Administration, Treasury, the Joint Committee on Taxation, the Congressional Budget Office, Congressional Research Service, Senate Finance Committee, Office of Management and Budget, International Monetary Fund, the Bureau of Economic Analysis, tax professionals, academics, consultants, and tax administrators from Canada, the United Kingdom, and New Zealand.

Commissioner Everson reiterated the importance of research in making solid IRS decisions based on factual data and stressed his commitment to develop and improve measures of taxpayer compliance through the National Research Program. He also emphasized that compliance is the ultimate goal of IRS activities and that improved taxpayer service and better enforcement are vital in meeting IRS objectives. Senator Charles Grassley, Chairman, Senate Finance Committee, then gave the keynote address.

The main subject areas covered by the conference included: voluntary compliance, tax administration abroad, IRS management, taxpayer burden, enforcement strategies, and compliance with the earned income tax credit (EITC).

We hope that this volume will enable IRS executives, managers, employees, and stakeholders to keep ahead of the latest trends and research findings affecting Federal tax administration. As with our last update of the *Bulletin*, the type of research and analysis featured here is intended to provide a valuable starting place from which to conduct further analysis and begin new research.

Content

This update of the *Bulletin* presents selected papers from each of the conference sessions. On voluntary compliance, the topics discussed are: enforcement activities and taxpayer noncompliance, and the effects of communication among taxpayers. On tax administration abroad, the volume includes papers on compliance research in Canada and the compliance model used in New Zealand. On IRS management, it includes a report on IRS human capital. On taxpayer burden, it includes papers on the compli-

ance burden of small businesses and on the individual taxpayer burden model. On enforcement strategies, the volume includes papers on relational mining for compliance risk and a structured assessment of compliance risk. On EITC compliance, the volume includes a report on certifying residency for EITC qualifying children. Views expressed in these papers are those of the authors and do not necessarily represent the views of the Treasury Department or the Internal Revenue Service.

Copy Preparation

The contents of the papers included here are the responsibility of the authors, who submitted the final papers to the Statistics of Income Division for an editorial review and reformatting. During the compilation of this material, any major problems observed were brought to the attention of the authors. Minor editorial changes were considered the prerogative of the editors. In no sense, therefore, have the articles in this volume been refereed.

Acknowledgments

This volume was edited by James Dalton and Beth Kilss of the IRS Statistics of Income Division. The editors would like to thank Lisa Smith for her invaluable help in laying out all the papers in this volume, Dorothy Wallace for her assistance with desktop publishing, Bobbie Vaira for her assistance in the publishing process, and Robert A. Kerr, Conference Coordinator, and Holly Donnelly for multiple assists during the preparation of this volume.

The Conference itself was the result of substantial effort and preparation over a number of months by many people. Robert A. Kerr played a major role in making arrangements for the Conference and ensuring that the Conference ran smoothly. The conference program was put together by a program committee that represented research groups throughout the IRS and the Treasury Department. Members of the program committee were Eric Toder, National Headquarters (NHQ) Office of Research (IRS), Committee Chair; James Clarkson, Large and Mid-Size Business (LMSB) Research (IRS); John Fay, Office of Performance Evaluation and Risk Analysis (IRS); Robert Kerr, NHQ Office of Research (IRS); Patrick McCammon, Wage and Investment (W&I) Research (IRS); Janet McCubbin, Office of Tax Analysis (Treasury); Alan Plumley, NHQ Office of Research (IRS); Susan Nelson, Office of Tax Analysis (Treasury); Anne Steuer, Small Business/Self-Employed (SB/SE) Research (IRS); Patrick Travers, Criminal Investigation Research (IRS). Several experts from both inside and outside the IRS contributed to the conference as session discussants. These included John T. Scholz, Florida State University; Brian Erard,

B. Erard and Associates; Beverly Ortega Babers, IRS Human Capital Office; Michael Chesman, SB/SE (IRS); George Plesko, MIT Sloan School of Management; and C. Eugene Steuerle, Urban Institute. We appreciate the contributions of all those who helped make this Conference a success.

Kay Wolman
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Office of Research, Analysis, and Statistics
January 2005

Editors' Note: The papers included in this volume may also be found on the IRS web site at <http://www.irs.gov/taxstats/index.html>. From this page, click on "Conference Papers," then click on "2004" under "IRS Research Conferences." The papers are listed by title of session and title of paper.

Proceedings of the 2004 IRS Research Conference

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