

Highlights of [GAO-11-730](#), a report to the Permanent Subcommittee on Investigations, Committee on Homeland Security and Governmental Affairs, U.S. Senate

Why GAO Did This Study

With trillions of dollars in cross-border financial activity, U.S. tax authorities and others around the world exchange information with each other to administer and enforce compliance with the tax laws of their respective countries.

GAO was asked to (1) identify and describe all income tax treaties and other such agreements between the United States and other countries, (2) describe the volume of exchange activity, types of information exchanged between the United States and its treaty partners, and request processing times, and (3) identify opportunities to improve the effectiveness of current U.S. information exchange processes and procedures. GAO analyzed agreement documents, IRS data on information exchanges, and interviewed program officials and the users of exchanged information.

What GAO Recommends

GAO recommends that the Commissioner of Internal Revenue determine the key types of performance information that exchange program managers could use to ensure the program is working as well as possible. Specifically, the Commissioner should require the collection of (1) consistent and accurate data on specific tax information exchange cases and (2) feedback from program users on a routine basis as part of regular program operations. IRS concurred with our recommendation. The agencies discussed in this report also suggested technical changes to a draft of this report which GAO incorporated as appropriate.

View [GAO-11-730](#). For more information, contact Michael Brostek at (202) 512-9110 or brostekm@gao.gov.

TAX ADMINISTRATION

IRS's Information Exchanges with Other Countries Could Be Improved through Better Performance Information

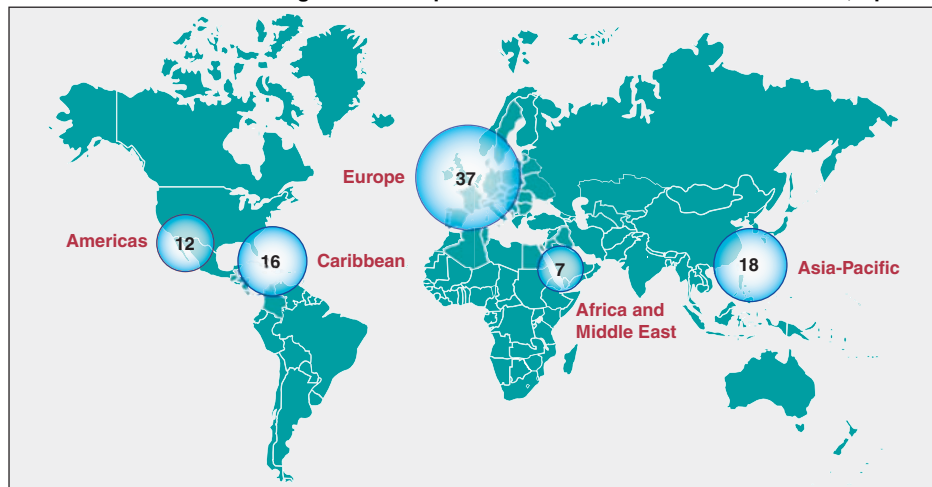
What GAO Found

Treaties and other agreements authorizing information exchange provide tax authorities in the United States and abroad with a useful tax law enforcement tool. As of April 30, 2011, the United States had such agreements in force with 90 foreign jurisdictions. Agreements have many similar features, but the bounds within which information can be exchanged are unique to the legal and administrative arrangements agreed to by the United States and each partner.

Between 2006 and 2010, 5,111 requests for information to or from the United States and 75 foreign jurisdictions were completed; 4,217 were incoming requests for information such as tax returns or corporate records and 894 were outgoing requests from the United States. IRS's enforcement presence also relies on several other methods to obtain relevant information, including a mechanism which yields about 2.1 million records annually from treaty partners. GAO estimates that most requests close about 50 to 200 days after being opened, but some take much longer. The time it takes to close requests can be influenced by factors such as the complexity of the requested information and the legal system of the treaty partner. GAO analysis of IRS data shows that the United States takes more time to close incoming requests for some groups of countries than others.

Although IRS collects data on exchanges between the United States and its treaty partners, the agency does not consistently collect or analyze performance information, such as the type of information requested, whether the information was collected successfully, or feedback from staff making the requests about the usefulness of the information or their views on the process for obtaining it. Collecting this information could help program managers assess how well the IRS is managing the information exchange process, and whether changes to administrative processes and procedures could improve the exchange of information between the United States and its treaty partners.

Bilateral Information Exchange Partnerships between the U.S. and Other Countries, April 2011



Sources: GAO analysis of data from Thomson Reuters, Government Printing Office (GPO), Lexis Nexis, and the Department of State; Map Resources (map).