

Senator PELL. About a billion. And do you have any estimate—I realize this is a very subjective impression—any estimate or thought as to how much, what percentage of that is avoidance, and what portion of it is evasion? Or—excuse me—what portion of it is willful and what portion of it is accidental?

Secretary DILLON. I think the two were somewhat intertwined.

I would hope there are not too many people that deliberately set out to say, "We will not report something that we know we should report." But it is often somewhat complex if you have a savings account under the present circumstances, and the interest you get is not reported to you unless you make a trip down to the bank and ask them what it is, and the individual may be busy and undoubtedly is, and does not do that, and he gets around to making out his tax returns, and it just never occurs to him. And he may very well know that he is supposed to, but he does not really think about it, thinks it is not very much, and so it is not done.

Under the provisions that have been provided by the Senate Finance Committee—which will impose a requirement on banks or savings institutions and corporations that pay interest or dividends to report to their stockholders and to their depositors as well as to the Government what these payments are—we would figure that there would be some improvement. It is hard to tell how much.

Our estimate in the committee bill and the committee report is that we would pick up, I think, \$240 million, maybe about a quarter of what we thought had been evaded. But any such estimate has to be rather a guess, and I do not think we can back it up. But that is the estimate of the Internal Revenue Service.

Senator PELL. Would you think it would be an incorrect statement to say that the majority of the people who do not report their income realize the fact?

Secretary DILLON. I would think they do now. With all this publicity, I cannot but believe that the majority of people now who do not report their interest income realize that they need to report it. That does not necessarily mean that they think of it at the time they are making out their return.

Senator PELL. They have a little mental block?

Secretary DILLON. That is right. But in general this is usually relatively small amounts of total income. A man has a job, and he also has a savings account. He reports through wage withholding, and he reports on his income tax, his income from his job. If he has a little savings account in the bank somewhere, or his wife has it, the interest is just a small amount.

Senator PELL. To put it in very simple terms, it would not be incorrect, then, to say that the Federal Government is being cheated out of better than half a billion dollars a year?

Secretary DILLON. It is certainly losing better than that.

Senator PELL. I like the word "cheat," because I think that brings it home. "Evade" and "avoid" are both simply five-letter words.

Secretary DILLON. I do not think people would like to be characterized in that way, and if they felt they were, they probably would not do it. So I think you are right, maybe, in using those words.