

YOUR TAXES: IRS Reviews 'Tax Gap'

Along with the "generation gap," the "communication gap," and the "gender gap," another gap has emerged in today's complex society, presenting challenging new problems for the nation's economy.

It's called the "tax gap," which the Internal Revenue Service defined in a recent study as the difference between the total amount of Federal income tax which is voluntarily paid for a given year and the correct tax liability for that year.

Surprisingly — especially in view of the widely-held belief that "big business" and "organized crime" are responsible for virtually all of society's ills — by far the largest part of the tax gap, more than \$50 billion in 1981, results from individuals who file returns but fail to report their full income.

Who are these people? The plumber who does a little work "off the books" in the evening, charging less than usual if customers pay in cash. The young couple who carelessly omit interest from their savings account on

their tax return. The waiter who reports only a nominal part of his tip income. And the "wheeler-dealer" who fails to report income from stock transactions.

There are, of course, other components to that tax gap. Illegal income from drugs, gambling, prostitution and the like, amounted to about \$9 billion, 10 percent of the tax gap during 1981, the year studied. Individuals who overstated personal deductions and business expenses on their tax returns accounted for about \$13 billion. People who failed to file required tax returns accounted for \$3 billion. And corporations (including fiduciaries and the unrelated business tax of exempt organizations) accounted for \$6.2 billion.

All in all, it's a big problem, adding up a staggering \$90.5 billion in lost revenues for 1981 — enough, ironically, to have balanced the Federal budget for that year. While most taxpayers are still conscientious, and the tax system is basically sound and reliable, common sense — and con-

sideration for the millions of taxpayers who honestly report all income — dictate that solutions have to be found for this problem.

In recognition of this fact, Congress enacted, as part of the Tax Equity and Fiscal Responsibility Act of 1982, a wide variety of measures designed to close the gap and insure that all taxpayers pay their fair share. Although it's not possible to list all of the measures included in the Act, major provisions include the following:

To stem the rising tide of abusive tax shelters — artificial transactions with no economic benefit beyond inflated tax deductions — a number of measures were implemented. IRS now has the power to enjoin promoters from marketing particularly abusive schemes, and there are stiff new penalties for promoting such shelters. Another penalty — 10 percent on any substantial understatement of income tax — is expected to hit abusive tax shelter participants particularly hard.

In order to better monitor the repor-

ting of capital gains and profits on the sale of stocks and bonds, real estate and other investment brokers are now required to report such sales to the IRS.

Another problem area is direct sales, where people operating a business out of their homes frequently underreport income and overstate business deductions. To help counter these abuses, direct sales organizations are now required to report to IRS the names, addresses, and social security numbers of persons who buy \$5,000 or more worth of merchandise for resale.

Many individuals fail to report tax refunds, credits and offsets from state and local governments. Beginning in 1983, these refunds will be reported to IRS, enabling the agency to monitor compliance.

Corporations and insurance companies are now required to withhold Federal income taxes on pension and annuity payments in a method similar to withholding from wages and salaries. Although retirees can refuse the withholding if they wish, many will find that this withholding will free them from having to make quarterly estimated tax payments. It should also boost tax collections on this form of income.

Many restaurants and bars are now required to report various types of receipts to the IRS in order to give the agency data from which it can better determine whether employees have been accurately reporting to income.

Several fines for criminal violation of tax laws have been significantly increased. For instance, the maximum fine for tax evasion was upped from \$10,000 to \$100,000 for individuals and to \$500,000 for corporations. The penalties for failure to file, subscribing to false statements, and filing fraudulent returns were also stiffened.

Finally, the Act counters "illegal tax protesters," that small but vociferous group clogging the nation's courts with a smorgasbord of arguments claiming Federal income taxes are unconstitutional. A new \$500 "frivolous returns" penalty may be imposed on the filers of such returns, in addition to other sanctions that may apply.

These measures, along with improved staffing and updated computers, are expected to contribute significantly to closing the tax gap. And that sure beats raising the taxes of those who already pay their fair share.

If you have questions about Federal taxes or the IRS, that you would like answered in this column, write to TAX FACTS, IRS Public Affairs Office, Clinton Ave. & N. Pearl St., Albany, 12207.

CONSUMER SURVEY: Slight Increase In Soda Costs

The New York State Consumer Protection Board (CPB) has released the results of its regional "Bottle Law Price Survey," which showed that since Sept. 12 the effective date of the state's new bottle law, soda prices have risen insignificantly while the number of on-sale beverages has actually increased.

The comprehensive price survey, taken by CPB staff and Long Island Consumer Action, also showed that beer prices increased by 18.3 percent. However, a large portion of that increase is attributable to exclusive territorial contracts held by certain beer distributors.

CPB Deputy Executive Director Richard M. Kessel said that the survey, taken of 72 stores in New York City, Long Island, the Capital District, Syracuse and Larchmont — during the week of Oct. 15 and Oct. 21, and on the dates of Aug. 25, Sept. 7 and Sept. 13, shows that the bottle law has had "no significant effect on soda prices," and actually resulted in more on-sale items (only surveyed in the downstate area).

"This study clearly shows that the bottle law has been a smashing success for New York consumers," said Kessel. "Not only is our environment cleaner — but our beverage prices have remained relatively stable. In fact, there appear to be more beverages offered at on-sale prices now than prior to the bottle law's effective date.

"Thus," said Kessel, "there appears to be no trade-off between environmental needs and consumer concerns."

The Board's survey also reviewed prices in out-of-state stores, where beverage container laws have been effective for some time, including Massachusetts, Vermont and Connecticut. The results showed that when prices in each type of store (beverage center, chain supermarket, "Mom and Pop" stores, etc.) were compared between New York stores and out-of-state outlets, New York prices were consistently higher. Beer prices were found to be between 4 percent and 10 percent higher in New York, while soda prices were at least 10.6 percent greater in the Empire State.

The Major findings of the survey were as follows: — Since the effective date of the bottle law, soda prices have risen by only one percent, the average increase experienced in a three-month period, approximately paralleling the current inflation rate of 2.9 percent annually.

— Beer prices have risen by 18.3 percent since Aug. 25, but much of the increase seems to be more related to territorial exclusivity than to the effects of the bottle law. It should be noted that most retailers anticipated a significant price increase for beer even before the law took effect.

— In the downstate area, the number of on-sale items increased from 35 the day after the bottle law

took effect to 74 in October. Prior to the law's effective date, the number of on-sale items was 70.

— Vastly different prices for the same soda and beer were discovered depending on the type of store in which the beverage was purchased. As a general rule, beverages were cheapest in beverage centers and most expensive in "Mom and Pop" stores. Moderate prices (in-between) were found in chain supermarkets.

— Refillable bottles were not available in any New York store surveyed except stores in Queens. However, refillables were common in Massachusetts, Connecticut and Vermont. Although the sample was small, reusable bottles in states outside New York were priced between eight percent and 48 percent less than equivalent disposable containers, while in most instances, refillables in Queens were more expensive than equivalent one-way containers. In fact, they were priced between 10 percent and 137 percent higher than the equivalent refillables in the out-of-state stores.

— During the late summer and early fall, when stores were attempting to deplete inventories in anticipation of the bottle law, both beer and soda prices were more volatile than they are today. Many more individual items are in stock now than what was the case in late August and early September.



HOUSE BURNS — Volunteer firefighters from seven area companies turned out to help battle the blaze at the Harold Gilmore residence on the Potsdam-Madrid Road. The fire broke out just after midnight on Saturday morning and firemen had to be called back to the scene repeatedly throughout the morning because of flare-ups. (Ron Robertson photo)

Two Fires Gut House, Barn

Two Potsdam volunteer firemen were injured fighting a fire that gutted the home of Harold and Alice Gilmore, just outside the Village of Potsdam on the Potsdam-Madrid Road, early Saturday morning.

Meanwhile, a second early-morning fire, on the Pickle Street Road in Sanfordville, destroyed a barn belonging to Michael Viviamore.

Potsdam fire chief Steve Miles said Saturday that Bob Robar and Jim Mason were taken to Canton-Potsdam Hospital by the Potsdam Volunteer Rescue Squad; Robar was treated and released for an apparent back injury, while Mason was admitted overnight suffering from smoke inhalation, according to Miles.

Potsdam volunteers were first on the scene; seven departments responded to the 12:20 a.m. call at the Gilmore home. A passing motorist alerted the Gilmores, who escaped the burning home safely, Miles said.

The couple's pet dog was lost, Miles said. He described the home as a "total loss," and noted that he did not know if the home was insured.

Miles said he believes an overheated furnace was the cause of the fire.

Also responding were West Potsdam, Madrid, West Stockholm, Norwood, Racquette River and Hannawa Falls, with Parishville on standby at the Hannawa fire station.

Potsdam volunteers were back in service at about 3:40 a.m., Miles said, but were recalled to the scene three times, the last at about 8 a.m.

Barn Destroyed
As firemen were preparing to leave the scene of the Gilmore fire at about 3 a.m., West Stockholm firemen were called to a barn fire on the Pickle Street Road.

The fire destroyed an L-shaped, 24 by 18, 30 by 60 ft. structure owned by

Michael Viviamore, according to St. Lawrence County Sheriff's Deputies.

Also lost were a tractor, welder, tools and a riding lawnmower, as well as three dogs and two pigs.

The structure was partially insured; no cause has yet been determined, deputies said.

Responding with West Stockholm were fire departments from Norwood, Hannawa Falls, Parishville, Brasher-Winthrop, and Hopkinton-Ft. Jackson; Colton was on standby.

NEW YORK: Free Road Map

ALBANY — To aid travelers, a free four-color map of New York State is available from the New York State Thruway Authority.

The map, which includes a broad range of information including safety hints and the locations of Thruway service areas, is available for the asking at toll booths along the 559-mile superhighway.

It may also be obtained by writing Map, New York State Thruway Authority, P.O. Box 189, Albany, N.Y. 12201.

As an additional aid to motorists, road conditions on the New York State Thruway are available by calling one of the following numbers: Tarrytown: Area Code 914-631-6100; Albany: Area Code 518-449-1293; Syracuse: Area Code 315-463-8611; Rochester: Area Code 716-546-5350; Buffalo: Area Code 716-896-2100.

The Thruway Authority also posts road condition reports at all booths along the superhighway.



ONE STEP CLOSER — Dave Flint, a 14-year member of the Norwood Brass Firemen, receives a \$750 check from Bill Collins, manager of Potsdam Paper Corporation. The corporation is sponsoring their employee's trip to the 1984 Sarajevo Winter Olympics. (Mike LaBouff photo)



PEGGY'S LUNCH — Customers at Peggy's Lunch in Norwood donated \$100 to the Brass Firemen for their trip to the Sarajevo Olympics through a "coffee day" last Wednesday and donations to the "kitty" through the week. Above, Stella Hollinger of Peggy's Lunch presents a check to band manager Bob Haggatt. (Betty Baker photo)



ELKS DONATE — Potsdam Elks Lodge 2074 has contributed \$800 to the Brass Firemen, while the Carthage Elks Lodge added a \$100 contribution. Shown above receiving the contribution from Herb Colby, Elks exalted ruler and a former drummer with the Brass Firemen, is band manager Bob Haggatt. (Ron Robertson photo)



POTSDAM ROTARY — The Norwood Brass Firemen received a \$250 contribution from the Potsdam Rotary Club last week. Shown at left is Rotarian Ted Ramsdell; in center is band manager Bob Haggatt, and at right is Rotary president Vern Ingram, Jr., a former trumpet player with the Brass Firemen. (Ron Robertson photo)



BAR ASSOCIATION — The St. Lawrence County Bar Association boosted the Brass Firemen Olympic travel fund with a check for \$250 last week. Shown above, with band manager Bob Haggatt is Vern Ingram, Jr., of the Bar Association. (Ron Robertson photo)



LIONS GIFT — The Norfolk Lions Club presented its contribution to the Brass Firemen on Sunday. Shown above, from left, are Don Lustyik, Lions treasurer; band manager Bob Haggatt; Lions president Al Smith; and band director Bob Thorpe. (Betty Baker photo)



NORWOOD LEGION — Norwood's American Legion Post 68 and the Legion Auxiliary raised some \$875 for the Brass Firemen through donations, a benefit dance featuring the Southern Pine Band, and a drawing. Shown from left are James Liebfred, Legion; Terry Peterson, Legion; Louise Pierce, Auxiliary treasurer; Warren Dean, Legion; and band members Roger Davis and Bob Thorpe. (Betty Baker photo)



BANK DONATES — The First National Bank of Norwood boosted the Brass Firemen Olympic travel fund. Shown above are bank executive vice president Byron Short and band manager of the band. (Betty Baker photo)