

Measuring Noncompliance
Washington State Department of Revenue



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website: dor.wa.gov (statistical reports button)

FTA Revenue Estimating Conference
New Orleans, Louisiana
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Governor's Efficiency Commission
June, 1988
Governor Booth Gardner, chair

Perform random sample audits

- **Audit coverage**
- **Audit selection**
- **Noncompliance measure**

3 Purposes

- **Coverage Audits**
- **Base for Audit Selection Modeling**
- **Measuring Taxpayer Noncompliance**

Random Sample Audits

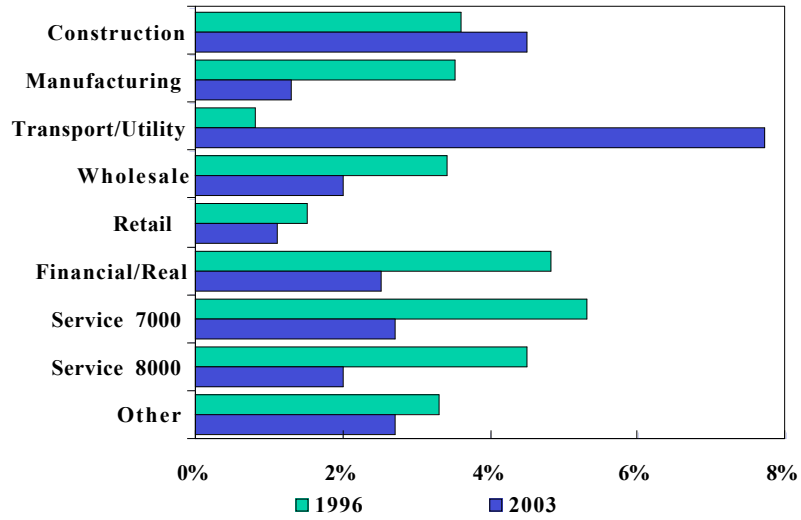
- **Stratified by Size and Industry**
- **Designed to Represent Universe of Registered and Reporting Taxpayers**
- **Most Years - 720 Audits**
- **Selected Independently from Regular Audit Selection**
- **Overlaps Regular Selection (especially large firms)**

Year 2000 Random Audit Selection Population

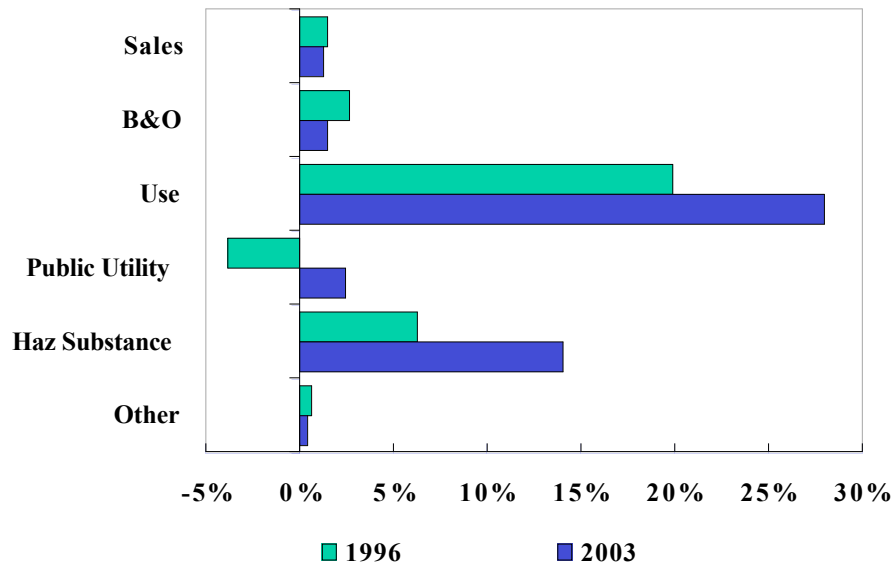
	Count	Count	Count	Gross
	Small	Medium	Large	Income
Construction	21,850	1,503	182	\$22,219,841,810
Manufacturing	6,571	386	96	24,134,622,617
Trans/Util	5,161	329	60	9,499,517,952
Wholesale	12,310	734	98	62,603,290,905
Retail	31,600	1,780	280	56,635,997,700
Finance/Real Estate	7,474	496	53	8,816,452,922
Bus & Pers Services	25,882	1,388	129	27,725,136,547
Prof Services	28,532	1,748	116	32,281,477,678
Total	139,380	8,364	1,014	\$243,916,338,131

Firms within each industrial category are arrayed by gross income and assigned to cells so that approximately a third of gross income is in each cell. A random sample of 30 is drawn from each cell. This way large firms are more heavily sampled than small firms. There is some overlap with mainstream audit selection.

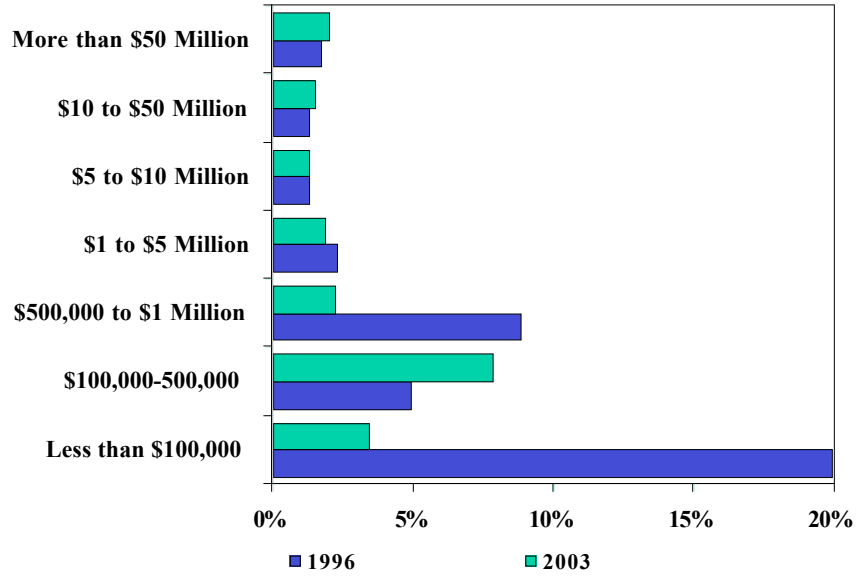
Noncompliance by Industry



Noncompliance by Tax Type



Noncompliance by Size



Positive Use Tax Assessments by Industry

	1996 % Unreported Tax Liability	2003 % Unreported Tax Liability
Construction	28.1%	18.3%
Manufacturing	45.3%	50.0%
Transport/Utility	53.8%	55.2%
Wholesale	28.2%	37.3%
Retail	29.0%	24.6%
Financial/Real	33.6%	29.5%
Service 7000	35.3%	40.9%
Service 8000	56.2%	35.7%
Other	52.9%	40.6%