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Opening Statement of Sen. Chuck Grassley
Hearing, "Schemes, Scams and Cons, Part II: the IRS Strikes Back"
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Mr. Chairman, I appreciate your holding this hearing on tax schemes and scams. We have worked closely on this important matter that Congress needs to address. The Finance Committee first looked into this issue a year ago when it became apparent after bipartisan investigation that thanks in part to the Internet, hundreds of thousands of Americans were hearing the snake-oil salesman's pitch to get involved in various tax schemes.

It's important that the American people be made aware of these tax hucksters and that the IRS take strong efforts to put them out of business. The numbers are staggering. According to testimony we will hear today, it is estimated that approximately 740,000 Americans used abusive schemes in tax year 2000 – costing billions of dollars. They say you can't avoid death and taxes, but it looks like a lot of people are avoiding at least one of them.

And behind those staggering numbers are the stories of people's lives broken and ruined. We will hear from prisoners and their family members, all of whom have been devastated by falling for these schemes. The testimony of these prisoners and their families should make one thing clear for Americans approaching April 15th -- if the sales pitch sounds too good to be true, it probably is.

In addition, we will hear about the latest growing scheme – the establishment of offshore accounts in a tax haven country with a credit card or debit card being used to draw down money from that account. The IRS has started taking aggressive steps to find out about these offshore credit card accounts, going so far as to subpoena records from Master Card, Visa and others.

So I say to Americans out there who are engaged in these offshore tax schemes, listen up: It's time to come clean because the IRS is going to know whether you've got dirty hands.

Mr. Chairman, I would like to take just a few minutes to touch upon the matter you addressed in your comments about some who question the Senate Finance Committee taking action on this matter.

I know that informing taxpayers about tax schemes and encouraging the IRS to do its important law enforcement duties would seem like mother's milk. But not so. One or two folks out there have attacked the Finance Committee for holding this hearing. These few individuals attacking the Finance Committee are part of the amen corner that I find at every agency I investigate. These members of the amen corner, the agency's lap dogs, usually never ask a difficult question of the agency, and they inevitably find the answer to every problem of the agency is more money and staff. The lap dogs are barking because they think the Senate Finance Committee is demanding too much

from the IRS. What is the Finance Committee demanding? We are asking the IRS to do its job of providing taxpayer service and enforcing the law. Unlike the lap dogs, I am confident that the IRS can walk and chew gum at the same time.

Why do some take the Finance Committee to task for asking the IRS to walk and chew gum? A few years ago, under then-Chairman Roth, this Committee held very important hearings that exposed the fact that some managers and employees at the IRS were out of control and were abusing the rights of taxpayers. Last year and today, the Finance Committee raises the issue of tax scams to inform the public and to spotlight IRS enforcement activity.

This is too much for these handful of folks, who seem to believe that protecting taxpayers' rights and law enforcement are mutually exclusive. They have a myopic view that the Senate Finance Committee can only be for either taxpayer rights or law enforcement -- it can't be for both. This is sheer nonsense.

It is, as always, a question of balancing the protection of taxpayers and law enforcement. This statement on my part is nothing new. In the first few lines of my opening statement at the 1997 IRS hearings I used the word "balance" four times to emphasize the point that we need balance between taxpayers rights and enforcement. This goes unmentioned by those who want to tell a tale instead of tell the truth.

The lap dogs have been taught a few other tricks by the IRS press office. My favorite is when they howl that the IRS barely has two pennies to squeeze. The reality is that the IRS has had budget increases 29 of the last 30 years, and the Congress has fully funded the IRS budget request the last four years. This also ignores the fact that the IRS has been wasting millions of dollars of taxpayer money. Just three quick examples:

1) IRS managers have wasted millions of taxpayer dollars constantly moving executives around the country. For example, the IRS moved one manager twice in two years for nearly \$300,000. By contrast, the Commerce Department moved someone from Connecticut to South Africa for \$8,200.

2) A TIGTA investigation that IRS employees on the Internet spend half their time looking at pornography, shopping and gambling, instead of working;

3) and my investigation showing that dozens of IRS employees are placed on paid administrative leave for months at a time. In fact, one individual who committed several felonies was on paid administrative leave for three years – even after he was indicted, convicted and sentenced. He was not fired until I raised questions about this waste of taxpayer money.

I know this may shock some who think the only answers can be found in ever more dollars for the IRS. But clearly, more money is not going to solve these problems, any more than it has in the past. Finally, let me assure everyone that even though this hearing focuses on enforcement, the Finance Committee also continues to be strongly concerned about the rights of taxpayers. Chairman Baucus and I recently released a report on the Offers in Compromise program and will soon release a General Accounting Office study on the Innocent Spouse Program. Both of these programs are critical in helping taxpayers. Again, they get to the point of trying to achieve the proper balance between rights and enforcement.

