



# Committee On Finance

Chuck Grassley, Chairman

Max Baucus, Ranking Member

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For Immediate Release

Wednesday, November 12, 2003

## **Grassley and Baucus Call for Increased Scrutiny of Paid Income Tax Preparers** *GAO Study Exposes Lack of IRS Enforcement, Loss of Millions in Uncollected Penalties*

(WASHINGTON, D.C.) U.S. Senate Finance Committee Chairman Chuck Grassley and Ranking Member Max Baucus today released a report citing serious problems encountered by U.S. taxpayers as a result of using paid income tax preparers and lack of enforcement by the Internal Revenue Service (IRS) in resolving these problems.

Last year, Grassley and Baucus requested the General Accounting Office (GAO) conduct a study into the views of taxpayers who used paid preparers. The GAO study focused on the job performance of those who professionally prepare income tax returns, including any problems caused by the preparers and the subsequent actions taken by the IRS to prevent, detect, and take action against them. In addition, the study addressed the management challenges facing IRS offices that interact with paid preparers, especially the Office of Professional Responsibility, and efforts taken to address those management challenges.

The findings of the GAO study include:

The GAO found that the IRS fails to collect about 88 percent of the paid preparer penalties that it assesses, which means that of the \$2.4 million in penalties assessed for 2001 and 2002, the IRS only collected \$291,000 or 12 percent. These figures do not account for the unknown numbers of paid preparers who should have been assessed penalties, but were not identified.

Additionally, the GAO study included findings gathered from an outside management consulting firm hired by the IRS to make recommendations concerning the Office of Professional Responsibility. The report stated that the OPR, "...is not strategically focused,...communication internally and externally is limited,...organization lacks structure,...and management practices are underdeveloped."

Comment of Chairman Grassley:

"Clearly people benefit from paid preparers, but there are some bad apples in the bunch. The IRS and Congress need to do more to make sure the bad apples are tossed out of the basket. The IRS should be more aggressive, and Congress should give the IRS the right tools to go after the problem. While a lot of paid preparers take you by the hand and guide you through the tax code, others take you to the cleaners. That's unacceptable."

Comment of Ranking Member Baucus:

"I hope this GAO report serves as a wake-up call for the IRS. It's time that we not only talk the talk, but walk the walk when it comes to tax compliance -- especially at a time when tax practitioner ethics have been called into question because of the accounting profession's role in

corporate collapses such as Enron's and the selling of abusive tax shelters. It's time for the IRS to put some teeth into the Office of Professional Responsibility and make enforcement of paid preparer's actions a high priority."

To weed out those paid preparers who fail to follow the law, Chairman Grassley and Senator Baucus plan to include provisions to address the concerns raised in the GAO report as part of the Tax Administration Good Government Act, which the Committee expects to markup in the near future.

Full report can be found online at: <http://www.gao.gov>. GAO Reports, GAO-04-70.

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