



Committee On Finance

Max Baucus, Ranking Member

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CONGRESSIONAL DELAYS ON EXPIRED TAX PROVISIONS RISK “MISTAKES, FAILURES” AT INTERNAL REVENUE SERVICE

Baucus questioned IRS Commissioner today on effects of leaving tax “extenders” expired

Washington, DC – U.S. Senator Max Baucus (D-Mont.), Ranking Democrat on the Senate Finance Committee, was told by Internal Revenue Service Commissioner Mark W. Everson today that continued congressional delays in renewing important expired tax provisions increase the risk of “mistakes and failures” at the agency. Baucus, a strong advocate of immediate renewal of expired provisions such as the research and development tax credit, the deduction for college tuition expenses, and the state and local sales tax deduction, asked Everson today how much it would cost the IRS if Congress continues to delay renewal of these vital tax “extenders.”

“The longer Congress waits to act in any year on tax matters, the tougher it makes it for us,” said Everson. Everson noted that late tax changes in the wake of Hurricane Katrina meant that many tax forms were not ready until January or February of 2006. He said there are administrative costs for the IRS associated with delays, but the **“larger risk”** is of **“mistakes and failures”** caused by late action on tax issues.

A number of popular tax provisions that offer significant relief to America’s working families, employers, teachers and businesses expired at the end of 2005. Renewal of those vital tax provisions was omitted from this year’s tax reconciliation bill in favor of extending tax cuts on capital gains and dividends earnings, which were not slated to expire until 2009. Despite promises to extend the non-controversial provisions in this year’s pensions legislation, they were stripped out of the final bill in an attempt to force a vote on other, controversial tax issues. Tax provisions still awaiting renewal include, but are not limited to:

- R&D Tax Credit (to encourage American research and innovation)
- WOTC/Welfare-to-Work Incentives
- State and Local Sales Tax Deduction
- Qualified Tuition Deduction
- Deduction for Teacher Classroom Expenses
- New Market Tax Credit (to boost investment in community development)
- Earned Income Tax Credit for Military Combat Pay
- Computer Donation Deduction (for equipment donations to schools and libraries)
- Indian Employment Tax Credit for Wages and Health Insurance

“American families and businesses will see big tax increases unless Congress acts on these tax provisions that so many have come to count on. Now we hear that continual foot-dragging by the majority, and the torpedoing of tax relief for workers in favor of ideological fights, could compound problems at the IRS and cost taxpayers even more money,” Baucus said today. **“Any further delay in considering these provisions, from research and development to the college tuition deduction, will just add insult to injury.”**

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