

U.S. Senate Committee on Finance

For Immediate Release

Wednesday, July 14, 2004

Grassley, Baucus Urge White House to Support Taxpayer Service Bill

WASHINGTON – Sen. Chuck Grassley, chairman of the Committee on Finance, and Sen. Max Baucus, ranking member, have encouraged the White House to support the Tax Administration Good Government Act, especially the provisions protecting taxpayers from any unscrupulous paid tax preparers. This comprehensive legislation includes tax administration and compliance improvements, improved taxpayer rights and protections, penalty and interest reform, modernization of the U.S. Tax Court, and simplification of the tax code.

The text of the senators' letter to the White House follows.

July 8, 2004

Mr. Andrew Card
Chief of Staff
The White House
1600 Pennsylvania Avenue
Washington, DC 20500

Dear Mr. Card:

On May 19, 2004, the United States Senate passed the Tax Administration Good Government Act (HR 1528). This legislation provides \$4 billion in tax administration and compliance improvements, taxpayer rights and protections, penalty and interest reform, modernization of the U.S. Tax Court, and simplification of the tax code. The bill is also completely offset by shutting down abusive tax shelters through increased disclosure and improving corporate governance.

The legislation includes a provision, the regulation of tax return preparers, which is critical to improving taxpayer compliance and protections. In her annual report to Congress, the National Taxpayer Advocate noted that over fifty-five percent of taxpayers paid a return preparer to prepare their 2001 Federal income tax returns. Her report also noted that of the 1.2 million known paid preparers, one-quarter to one-half are not regulated by any licensing entity or subject to minimum competency requirements.

One example, from the National Taxpayer Advocate, of how taxpayers can be harmed by tax preparers who lack basic standards of expertise and competence is of a married couple with two children. Their tax preparer advised the couple to file two tax returns, each claiming head of household status, each claiming one child, and each receiving the earned income tax credit because

both spouses worked and contributed to household expenses. After the IRS audited the taxpayers, they owed over \$4,000 and had no means to pay. This real-life example demonstrates how income tax return preparers are important to our voluntary tax compliance system. We believe that regulation of paid preparers will better serve taxpayers and result in increased compliance through greater oversight over paid preparers.

By improving the accuracy of tax returns at the front-end of the process, we are taking a significant step toward reducing government burden and intrusion on taxpayers. We look forward to the Administration's support of the Tax Administration Good Government Act, and particularly the regulation of paid preparers provision.

Sincerely,

Max Baucus
Ranking Member

Charles E. Grassley
Chairman