

United States Senate
Committee on Finance



Sen. Chuck Grassley • Iowa
Ranking Member

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MEMORANDUM

To: Reporters and Editors
Fr: Jill Gerber for Sen. Grassley, 202/224-6522
Re: GAO report on tax penalties
Da: Monday, July 6, 2009

Sen. Chuck Grassley, ranking member of the Committee on Finance, with jurisdiction over tax policy, made the following comment on a report released today by the Government Accountability Office, GAO-09-567, “TAX ADMINISTRATION: IRS Should Evaluate Penalties and Develop a Plan to Focus Its Efforts.”

“The IRS has a lot of discretion over assessing and rescinding tax penalties. This report shows the IRS rescinded about one-third of the penalties assessed in 2007. It assessed \$29.5 billion in penalties and later rescinded \$11.1 billion of that. It’s impossible to know whether that amount was fair and justified because the IRS doesn’t comprehensively evaluate tax penalty administration or the impact of penalties on voluntary tax compliance. The IRS promises to do a better job of evaluating tax penalties, and it needs to. Fair administration from one taxpayer to the next is critical to the integrity of the tax system.”