

UNITED STATES SENATOR • IOWA
CHUCK GRASSLEY

RANKING MEMBER • SENATE COMMITTEE ON FINANCE

<http://grassley.senate.gov>
press_office@grassley.senate.gov

Contact: Jill Kozeny, 202/224-1308
Jill Gerber, 202/224-6522

For Immediate Release

Friday, February 15, 2002

Grassley: Enron Tax Disclosure Should Jumpstart Congressional Action

WASHINGTON -- Sen. Chuck Grassley, ranking member of the Committee on Finance, issued the following comment regarding the agreement he and Chairman Max Baucus have reached with the Enron Corp to publicly disclose its tax records. The Joint Committee on Taxation has also been directed to review Enron's tax returns and report its findings to the Finance Committee.

Last August, Grassley released the draft of legislation he is preparing with Sen. Baucus to better police tax shelters. The draft is being revised in light of Enron. Grassley also is drafting legislation to tighten pension laws and better protect workers.

"The agreement with Enron is important because it will ultimately lead to a public understanding of what happened at Enron with taxes and pensions.

"Our investigation needs to find out whether Enron's actions were legal, somewhat questionable, highly questionable, or even illegal. In the end, what's legal for any company could be the most shocking of all. Public disclosure of questionable tax dealings should give Congress the political will to act this year on fundamental reforms. We need to put Main Street before K Street by shutting down tax shelters and closing loopholes used to avoid paying taxes owed.

"The documents we'll get will also give us a clear picture of how Enron managed its employees' pension plans. We need to know what Enron did so we can make the pension laws stronger and prevent future Enrons."

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Attachments: February 14, 2002 Fred T. Goldberg, Jr. letter to Sens. Baucus and Grassley
February 15, 2002 Sens. Baucus and Grassley letter Lindy L. Paull, Esq.

February 14, 2002

Skadden, Arps, Slate, Meagher & Flom LLP
1440 New York Avenue N.W.
Washington, D.C. 20005
Hon. Max Baucus
Chairman
Committee on Finance
United States Senate
Washington, DC 20510

Hon. Charles E. Grassley
Ranking Member
Committee on Finance
United States Senate
Washington, DC 20510

Dear Senators Baucus and Grassley:

Following on conversations with your staff, I have been authorized to advise you that Enron intends to provide the Finance Committee with consent under Code section 6103 to public disclosure of its relevant confidential tax return information, along the lines described below.

We understand that the Committee is interested in determining whether there are, in the events that gave rise to Enron's bankruptcy, significant tax policy issues of relevance beyond Enron's particular circumstances such that they may need to be addressed through changes to the federal tax laws. The consent will be intended to apply to information contained in Enron's tax returns and related materials which pertains specifically to such issues, and will contemplate the publication of such information in one or more Committee Reports addressing those issues and any proposed legislative recommendations that the Committee develops as part of its review of such issues, including in hearings that the Committee may conduct following issuance of the Reports.

Working with your staff, we anticipate sorting out the specific terms of Enron's consent in the very near future. We look forward to cooperating fully with your staff and the staff of the Joint Committee on Taxation during the course of what we anticipate will be an orderly and constructive review.

Sincerely,
Fred T. Goldberg, Jr.

February 15, 2002

Lindy L. Paull, Esq.
Chief of Staff
Joint Committee on Taxation
1015 Longworth House Office Building
Washington, DC 20515

Dear Ms. Paull:

Recent press reports have raised troubling questions about Enron Corp. and related entities' ("Enron") compliance with the Federal income tax laws, including the use of entities in tax haven countries, other special purpose entities, and questionable tax shelter arrangements. According to some press reports, Enron may have used such arrangements to improperly avoid paying corporate income taxes.

We are also concerned by reports that thousands of Enron employees have suffered pension losses in recent months while corporate insiders appear to have reaped substantial profits during that same period. Qualified pension plans and many other compensation arrangements receive considerable tax benefits and are otherwise facilitated by the Federal tax laws. Recent reports about Enron raise concerns that the objectives behind these tax law provisions are not being fulfilled.

Accordingly, pursuant to Internal Revenue Code section 8022, we direct the staff of the Joint Committee on Taxation to undertake a review of Enron's Federal tax returns, tax information, and any other relevant information as you deem necessary, from 1985 to the present, to assist us in evaluating if the Federal tax laws facilitated any of the events or transactions that preceded Enron's bankruptcy. The review should examine the adequacy of present tax law, particularly in the areas of tax shelters and offshore entities. It should also include a review of the compensation arrangements of Enron employees, including tax-qualified retirement plans, nonqualified deferred compensation arrangements, and other arrangements, and an analysis of the factors that may have contributed to any loss of benefits and the extent to which losses were experienced by different categories of employees.

We ask that you transmit your findings, and recommendations for reform, to the Senate Committee on Finance as soon as practicable. We also request that you keep the Committee updated on the progress on your study and advise us on any problems you may have in securing timely access to the information needed to perform this review.

We want to thank you and your staff for undertaking this important review and look forward to receiving your report.

Sincerely yours,
Max Baucus, Chairman
Charles E. Grassley, Ranking Member