

United States Senate Committee on Finance

For Immediate Release

Wednesday, March 7, 2007

Baucus, Grassley Pursue Latest Lists of Tax Avoidance Tactics

WASHINGTON – Sen. Max Baucus, chairman of the Committee on Finance, and Sen. Chuck Grassley, ranking Republican member, have asked the Internal Revenue Service for an updated list of the newest, biggest tax avoidance scams – including those using nonprofit groups -- that deserve the committee’s attention. The IRS’ prior responses to similar inquiries have been the basis for legislative crackdowns from the committee that have been signed into law.

“The IRS has an important responsibility to help honest taxpayers fulfill their obligations, and also to go after the tax cheats whose only contribution is to our country’s financial woes,” said Baucus. “We want to know about tax avoidance scams that are hurting America’s ability to fund important priorities like health care and education. And we need to seek out and stop those who are hiding behind tax-exempt status for their own gain, in order to protect the vast majority of tax-exempt organizations that are doing so much good. The crisis of unpaid taxes should be totally unacceptable to the IRS, and they need to take this opportunity to lay out the scope of tax avoidance problems and get a game plan to fix them.”

Grassley said, “The IRS says abuse of non-profits is one of its ‘Dirty Dozen’ tax concerns for 2007. We’ve worked to crack down on scams, but we’re not done. Until recently, there wasn’t much scrutiny in the tax-exempt area. Some people continue to use non-profits to enrich themselves. We need to make sure charities serve the needy, not the greedy.”

The text of the senators’ letters to the IRS follows.

March 2, 2007

The Honorable Donald L. Korb
Chief Counsel
Internal Revenue Service
1111 Constitution Avenue, N.W.
Washington, DC 20224

Dear Mr. Korb:

In your letter dated April 4, 2005, you discussed emerging and existing tax noncompliance issues and provided an update on issues of noncompliance previously brought to the Finance Committee’s attention. We are requesting an update on the issues described in that letter and also are asking you to identify an additional twenty issues of tax noncompliance. In addition, we are interested to learn more about the 2007 “Dirty Dozen” list recently released by the IRS.

Your discussion of these issues should include 1) the IRS's strategy for addressing each issue, 2) the administrative actions the IRS is taking to mitigate each issue, 3) the extent the issues have been resolved on a case-by-case basis and on a permanent basis, 4) impediments to permanent resolution, and 5) applicable legislative recommendations. For each issue, we ask that you include the number of taxpayers involved and the cumulative tax dollars at risk in each issue, the number of cases currently under examination, and the results of cases previously examined (tax, interest and penalties assessed and collected).

We would appreciate receiving your response to this request by April 1, 2007.

Sincerely yours,

Max Baucus
Chairman

Charles Grassley
Ranking Member

cc: The Honorable Mark W. Everson, Commissioner, Internal Revenue Service

March 2, 2007

The Honorable Mark W. Everson
Commissioner
Internal Revenue Service
1111 Constitution Avenue, N.W.
Washington, DC 20224

Dear Commissioner Everson:

On March 30, 2005, you provided the Finance Committee with a letter discussing the most significant compliance issues within the responsibility of the Tax Exempt and Government Entities Division (TE/GE) of the Internal Revenue Service (IRS). This was in response to a letter from the Committee of January 18, 2005.

In the two years that have passed since your letter, Congress has passed reforms in the tax-exempt area – many of those reforms responding to the concerns raised in your March letter. In addition, we know that the IRS has under your leadership stepped up enforcement significantly in this area. However, despite these efforts, problems remain. We note that the IRS recently listed abuses of charities and charitable giving as one of the “Dirty Dozen” tax matters for 2007.

Therefore, we believe this is an appropriate time to request that the IRS provide the Committee with a new report on compliance issues involving tax-exempt and government entities and charitable contributions. This report should describe each issue, include information on the nature and scope of the problem, including the revenue at issue, provide a technical analysis of the IRS's position with respect to the issue, and what actions the IRS is taking to mitigate each issue. The report should also include any recommendations you might have for how best to address these compliance issues. We ask that the report particularly highlight and emphasize those matters that you view as contributing

to the tax gap.

In addition to the noncompliance by tax-exempt and government entities, we also are concerned about corporate and individual abuse of the charitable contribution deduction rules. We understand that charitable organizations may also be used to shelter income and assets from estate and gift taxation. While we realize that income and estate and gift taxation are not within the same jurisdiction as tax-exempt and government entities, we request that the appropriate offices coordinate within the IRS to compile a unified report.

Please provide your response by April 1, 2007.

Sincerely yours,

Max Baucus
Chairman

Charles E. Grassley
Ranking Member

cc: The Honorable Donald L. Korb, Chief Counsel, Internal Revenue Service

###