



U.S. SENATE COMMITTEE ON

Finance

SENATOR CHUCK GRASSLEY, OF IOWA - CHAIRMAN

<http://finance.senate.gov>

Mark-up Statement of Chairman Grassley Wednesday, June 28, 2006

I'm very pleased that today we are able to move forward on two important items: eliminating the telephone excise tax offered by Senator Santorum as well as moving forward on S. 832 by Senator Bingaman that addresses taxpayer protection and assistance. The Treasury Department recently eliminated the telephone excise tax for long distance, effectively leaving only the local phone tax. This legislation we markup today eliminates the local phone tax – a tax that particularly hits families and the elderly. I'm pleased that we can finally hang up on the phone tax today – a tax that has been with us since the Spanish War.

In addition to ending the phone tax, we are including today several other items related to telecommunication matters, legislation that Senators Rockefeller and Burns have been working on for a long time to deal with broadband and especially rural areas, bringing modern technology to all Americans. In addition, Senator Thomas and Baucus and other Senators have supported better rules regarding depreciation of wireless telecommunications, and we have included that as well.

We have a great deal of interest by members in improving tax administration. In addition to Senator Bingaman's legislation that focuses on paid preparers and making sure they have minimum qualifications, we are including a significant number of provisions from S. 882 sponsored by Senators Baucus and myself that passed the Senate in the previous Congress. We include several provisions from Senator Hatch to promote tax compliance as well as proposed reforms to the Free File Alliance with Senator Lott. We include provisions from Senators Kerry and Thomas that seek to provide greater privacy of taxpayer information.

I particularly note that we include a provision offered by Senators Snowe and Hatch dealing with payroll tax deposit agents. Senator Lincoln has a provision that we include that will give veterans more time to seek a refund claim for overpayment on taxes related to disability determinations. Senator Kyl offered two amendments that we've accepted, including providing tax court jurisdiction on innocent spouse equitable relief – a suggestion from the taxpayer advocate. Both Senators from Oregon have language that we have included – Senator Smith on allowing the courts to have tax refunds obligated for unpaid state court debts and Senator Wyden on encouraging us to make tax filing on the internet to be simple and easy. We've made good steps with this bill, including Senator Akaka's legislation that provides for free electronic filing for all individuals, not just corporations.

Senator Baucus has many provisions in this bill that I will have him speak to but I'm happy to work with him on language we've included in this bill. He has been vocal about authorizing language to deal with the tax gap and I commend him for his long focus on this important matter.

I would finally note that I'm especially pleased that this bill includes an amendment offered by Senator Santorum and myself dealing with sex trafficking and the sad fact of 14,000 to 17,000 new victims brought in every year, many young girls, are basically subject to this terrible crime. We take some first steps to having the IRS office of criminal investigation focus on these crimes. The pimps have bragged about the fact that they make big money and pay no taxes. The IRS brought in Al Capone, I think they can help here in fighting with this human tragedy.

This bill is fully offset, primarily paid for with the economic substance legislation that has previously passed the Senate as well as raisers from the IRS reform package and finally legislation offered by Senator Schumer dealing with inversions. The bill is actually in the black given these revenue raisers, but it would be my intent that when passed by the Senate it would be revenue neutral.

I also want to highlight two other amendments for members attention. We heard from the Commissioner of the IRS in testimony last week about problems of erroneous refund claims made by corporations. The Commissioner noted that there were not any real penalties to address this problem.

We include in here today new strong penalty for dealing with erroneous refund claims. We also include legislation that doubles the fines and penalties on tax-exempt organizations that engage in inappropriate political activity and lobbying. The use of charities for lobbying is clearly a very real problem across the political spectrum. Senator Baucus and I have been looking at these matters and I expect that we will be doing more in this area to combat inappropriate use of charities for lobbying. This has been a bipartisan effort and I appreciate Senators working with Senator Baucus and myself to make this markup a success for the taxpayers.