NTEU NEWS RELEASE

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For Immediate Release
April 9, 2008

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Ways and Means Committee Vote Signals Continuing Opposition to Private Tax Collection

Washington, D.C.—Approval by the House Ways and Means Committee of legislation that includes a provision to end the government's use of private tax collectors marks the third time this committee has signaled its strong opposition to continuing the Internal Revenue Service (IRS) program.

"Today's vote reflects this committee's determination to end the IRS private tax collection program that has proven to be a fiscal failure," said Colleen M. Kelley, president of the National Treasury Employees Union (NTEU).

The bill approved today was introduced by Rep. Charles Rangel (D-N.Y.), who chairs the committee and has been a vocal critic of the IRS use of private tax collectors, which receive a bounty of up to 24 percent for collecting tax debt. The language to end this privatization effort is modeled on a measure (H.R. 695) authored by Ways and Means Committee member Rep. Chris Van Hollen (D-Md.), an early and strong critic of the use of private tax collectors.

The agency recently extended the contracts of the two companies involved in the program despite a net loss of $50 million in its first year of operation. While the IRS initially projected the effort would fully absorb its start-up costs by this year, the program is now not expected to reach the break-even point until fiscal 2010 at the earliest.

Previously the House approved two separate bills, H.R. 3996 and H.R. 3056, both of which originated in the Ways and Means Committee and both of which—like the bill approved today—would

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repeal the IRS authority to use private collection agencies to collect tax debt. "To continue this program is to continue a significant loss of revenue to the U.S. Treasury and America's taxpayers," said President Kelley.

The loss to the federal government in foregone revenue could be as high as $500 million over the next six years, according to the IRS Taxpayer Advocate Nina Olson, who has repeatedly called for an end to the use of private tax collectors.

Last May, a Ways and Means Committee hearing underscored NTEU's early warnings of likely abusive collection tactics by the private companies. The hearing identified numerous taxpayer complaints and highlighted the problem by reviewing a case in which an elderly couple received some 150 calls from a collection company under contract to the IRS despite being told that the taxpayer it was seeking no longer lived at that address.

The latest legislation comes on the heels of a letter from Sens. Byron Dorgan (D-N.D.) and Patty Murray (D-Wash.) to new IRS Commissioner Douglas Shulman seeking a prompt review of the program with an eye toward ending it. Both senators have sharply criticized the use of private collectors.

NTEU is the largest independent federal union, representing 150,000 employees in 31 agencies and departments.

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House Ways and Means Committee Approves Bill That Would Enhance Role of CPAs as Taxpayer Advocates

AICPA Applauds Committee's Action

Washington, DC (April 9, 2008) – The American Institute of Certified Public Accountants applauded the House Ways and Means Committee's approval today of a bill that would enhance the role of CPAs as advocates for taxpayers by equalizing the IRS disclosure standards between tax preparers and taxpayers.

"The AICPA believes legislation is necessary to correct the flaw in the law that was passed by Congress in May of 2007 that tightened the disclosure requirements for tax preparers under the section of the tax code [Section 6694] that spells out what must be disclosed on tax returns in order to avoid having a penalty imposed," said Tom Ochsenschlager, AICPA vice president for taxation.

"We very much appreciate the leadership of House Ways and Means Committee Chairman Charles Rangel, who supported including in H.R. 5719, the "Taxpayer Assistance and Simplification Act of 2008," the corrective language that was introduced by Representative Joseph Crowley, a New York Democrat, and Representative Jim Ramstad, a Minnesota Republican, as H.R. 4318 on Dec. 6, 2007.

Ochsenschlager explained that under the 2007 law, in order to protect themselves from a potential penalty, preparers would have to ask the taxpayer to disclose to the IRS any tax positions taken by a taxpayer that didn't meet the Internal Revenue code's "More Likely Than Not" standard. In general, the "More Likely Than Not" standard requires a reasonable belief that the position has a greater than 50 percent chance of being accepted by the IRS or a court.

"That creates a problem," Ochsenschlager said, "because the standard imposed under the new law for tax preparers is higher than the standard for taxpayers. The unequal thresholds create the potential for conflicts of interest between preparers and their clients, and consequently affect the nature of taxpayers' representation."

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Ochsenschlager noted that the IRS and Treasury delayed implementation of the new law in June 2007 and then issued interim guidance on Dec. 31, 2007 that provided tax return preparers with an understanding of how they can comply with the new law during the current filing season and until final IRS guidance is developed.

"Legislation is critical in order to permanently correct the problem, and we look forward to having the bill brought before the full House for a vote on April 15, which House leaders have indicated they plan to do," he said.

He noted the AICPA will continue its support of IRS and Treasury as they draft the needed guidance to implement the 2007 law. In general, the "Substantial Authority'' standard requires that a tax position have a 40 percent chance of being sustained.

The American Institute of Certified Public Accountants (www.aicpa.org) is the national, professional association of CPAs, with more than 350,000 members, including CPAs in business and industry, public practice, government, and education; student affiliates, and international associates.

It sets ethical standards for the profession and U.S. auditing standards for audits of private companies; federal, state and local governments; and non-profit organizations. It develops and grades the Uniform CPA Examination nationwide.

The AICPA is the sponsor of a national public-education effort called 360 Degrees of Financial Literacy (www.360financialliteracy.org), designed to improve the financial understanding of Americans at all age levels. A related campaign, Feed the Pig (www.feedthepig.org), co-sponsored with the Ad Council, is designed to help Americans ages 25 to 34 years old save for long-term financial security.

The AICPA maintains offices in New York; Washington, D.C.; Durham, N.C.; Ewing, NJ; and Lewisville, TX.

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