



Committee On Finance

Max Baucus, Ranking Member

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MAJORITY OBJECTS AGAIN TO PASSING VITAL TAX MEASURES

Baucus continues push to renew, extend R&D tax credit and other provisions now

Washington, DC – For the third time in a week, the Senate majority has blocked a Democratic effort to immediately renew and extend vital tax provisions such as the research and development tax credit, the college tuition deduction, and the state and local sales tax deduction. U.S. Senator Max Baucus (D-Mont.), Ranking Democrat on the Senate Finance Committee, requested unanimous consent today to legislation that precisely mirrors language in a bill supported by the majority side to renew the same tax provisions. However, an objection to the Baucus request was lodged for a third time by a member of the majority. Prior to his request, Baucus spoke briefly about the need to renew these tax cuts in a timely fashion, and the harm done to taxpayers and the Federal Treasury by additional delays:

“I have repeatedly raised the problem of the ever-growing Federal tax gap. The tax gap is the difference between taxes legally owed and taxes actually paid. That gap is \$345 billion a year, and growing.

“One thing that contributes significantly to the tax gap is confusion. Many taxpayers simply claim credits or deductions by mistake.

“And that error rate is about to get worse. As IRS Commissioner Everson pointed out at a Finance Committee hearing this month, the IRS and taxpayers will face unnecessary confusion and compliance errors if Congress does not finish its changes to the tax law soon. Taxpayers will face more mistakes and hassles, if we do not extend the expired tax provisions soon.

“If Congress does not reinstate the expired tax incentives before it recesses for the election, then the IRS will have to print tax forms for next year’s filing season applying the law ‘as is.’ The IRS will print the forms without the tax credit for U.S.-based research jobs, without the tax deduction for state sales taxes, without the tax credit for hiring welfare workers, and without the tax deduction for classroom supplies that teachers buy.

“If Congress does not extend these provisions by the end of next week, then the IRS will have to spend taxpayers’ money to rush printing for supplemental documents to describe these incentives, if and when Congress eventually passes them.

“Millions of families, businesses, and workers utilize these popular tax incentives. These are not obscure tax benefits claimed on separate forms or schedules.

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“Look at the front page of the basic Form 1040. Look at line 23, labeled ‘Educator expense.’ What should the IRS do with the classroom teachers’ deduction? Look at line 34, labeled ‘Tuition and fees deduction.’ What should the IRS do with the tuition deduction for middle-income families? They both expired at the end of 2005. So the IRS really cannot print them on the 2006 tax form, right?

“But if the IRS does not print them on the Form 1040, how many teachers will miss out on this deduction? How many teachers will miss out if the IRS merely mentions the deduction in some supplementary instruction guide?

“And what about the millions of taxpayers that use software to assist in tax preparation? Those software providers have deadlines too, and they have told us mid-October is their ‘drop-dead’ date, just as it is for the IRS. They try to have their products in stores and on the shelves by Thanksgiving. That would be literally days after our lame-duck session, when some believe that we should extend these benefits appearing on the Form 1040.

“You might ask why these software providers just cannot send updates to customers. But the providers tell us that they cannot force the customer to receive the update. Millions of customers will miss the update. Millions of customers will ignore the update. And millions will lose out.

“Earlier this year, the Finance Committee held an investigative hearing. We were looking at the ‘free file’ alliance, which provides free electronic services to many taxpayers via the IRS website. The Committee found that many members of the ‘free file’ alliance simply refused to include any of the Katrina-related tax benefits. Why? Congress enacted the tax benefits into law so late in the year that it simply was not feasible for the providers to include them.

“Delay has real costs. Delay costs taxpayers money. And delay impairs effective tax administration by the IRS. So, I am again asking my Colleagues to support my consent request to pass the negotiated tax extenders. If my amendment passes, it will retroactively restore all of these popular expired benefits. My amendment will also provide the compromise reached on the Abandoned Mine Land trust fund, or AML.

“We need to enact these tax cuts. We cannot wait until the next work period.”

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