



Committee On Finance

Max Baucus, Ranking Member

NEWS RELEASE

<http://finance.senate.gov>

For Immediate Release
Monday, October 16, 2006

Contact: Carol Guthrie
(202) 224-4515

BAUCUS ASKS IRS ABOUT CONTINGENCY PLAN FOR LATE-BREAKING TAX CHANGES

Senator's letter inquires about practical effect of Congress' failure to renew expired tax cuts for millions, whether IRS can reprint forms if Congress acts on so-called "extenders" in lame duck

Washington, DC – U.S. Senator Max Baucus (D-Mont.), Ranking Democrat on the Senate Finance Committee, today sent a letter to Internal Revenue Service Commissioner Mark Everson to investigate the effect of the Congress's failure to pass a number of expired or expiring tax provisions. Baucus expressed his concern that despite his calls to renew and extend tax cuts such as the college tuition deduction, the state and local sales tax deduction, and the research and development tax credit, Congress did not vote on the measures prior to leaving for its pre-election recess. As a result, these essential tax cuts likely will not be included on 2006 tax forms that the IRS needed to print beginning October 15. Forms without the tax cuts available may include Form 1040, which is used by more than 120 million Americans. Baucus asked today how the IRS is proceeding with the printing of tax forms, and how the agency plans to deliver information on the tax provisions to Americans if Congress acts in November.

“The majority leadership in Congress missed several opportunities to renew these vital tax cuts. Congress could have given the IRS plenty of time to correctly print the 2006 tax forms, and to provide certainty to American families, workers, students, and employers about the tax cuts they depend on each year,” said Baucus. **“If Congress does the right thing next month and acts to renew these tax cuts, there must be a concrete, effective communication plan in place to help American taxpayers to take advantage of these measures.”**

The text of the Senator's letter follows here.

--2 more--

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

Dear Commissioner Everson:

I am writing to learn the effect on taxpayers and the Internal Revenue Service (IRS) of Congress' failure to enact extensions of several expiring tax provisions - what are often called "extenders." On September 6, 2006, you testified to the Finance Committee that "the longer the Congress waits to act in any year on tax matters, the tougher it makes it for us." As an example, you indicated that due to the enactment of the Gulf Opportunity Zone Act on December 16, 2005, the IRS did not have all of its forms ready until January or February because of procedural and information systems requirements. The IRS subsequently informed the Committee that if the extenders were not enacted prior to October 15, 2006, then the IRS would have to rely on the law as it stood on that date.

Now that October 15 has passed and the expiring provisions have not been renewed, I am requesting a detailed explanation of how the IRS intends to proceed under current law and if Congress enacts the extenders during a lame-duck session later this year. This explanation should address the following concerns, as well as any other challenges or problems that taxpayers and the IRS may encounter.

1. Will paper forms, instructions and publications be designed and printed to conform with current law - that is, without the extender provisions?
2. On what date will the forms, instructions and publications be sent to the printer(s)?
3. On what date will the printer(s) begin to produce the forms, instructions and publications?
4. On what date will the paper form, instructions and publications be available to the public?
5. If Congress enacts the extenders in the lame duck session, how long will it take for the IRS to revise the applicable forms, instructions and publications and send the revised versions to the printer(s), how soon can the printer(s) begin production, and how soon will the forms, instructions and publications be available to the public?
6. If Congress enacts the extenders in the lame duck session, how will the IRS notify taxpayers of the late changes in the law? What happens to the obsolete forms, instructions and publications? How will the IRS ensure that taxpayers do not mistakenly obtain and use the obsolete forms, instructions and publications?
7. Provide a complete list of forms, instructions and publications that would be affected, assuming that Congress enacts the extenders in a lame duck session.

--1 more--

Baucus/Page 3

8. Will IRS information systems be programmed to conform with current law?

9. If Congress enacts the extenders in the lame duck session, how long will it take to reprogram IRS systems to accommodate the new law?
10. What additional costs, both internal and external, will the IRS incur to reprogram IRS systems?
11. Please answer questions 1, 4, 5, 6, 8, 9 and 10 concerning, forms, instructions, publications, calculators and other e-services available through the IRS website.
12. Are Free File Alliance participants programming their software to conform with current law?
13. If Congress enacts the extenders in the lame duck session, will Free File Alliance participants be able to reprogram all affected tax software in time for filing season? If not, then by what date will they be able to do so? How will IRS ensure that this occurs?
14. What additional costs, both internal and external, will the IRS incur in connection with a lame duck passage of the extenders? Provide a breakdown by type of cost.
15. To what extent will implementation of the 2007 filing season be delayed because the extenders were not enacted by October 15, 2006?
16. What is the effect on tax administration and the tax gap if Congress does not enact the extenders until November 15? December 1? December 15? December 22?
17. To what extent and in what way will taxpayers' ability to file their tax returns, receive their refunds, and voluntarily comply with their 2006 tax obligations be affected if Congress does not enact the extenders until November 15? December 1? December 15? December 22?

I appreciate your prompt attention to this matter and request your response by October 31, 2006.

Sincerely yours,

Max Baucus
Ranking Member

###