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Grassley Raises Public Disclosure of Some Corporate Tax Returns

WASHINGTON – Sen. Chuck Grassley, ranking member of the Committee on Finance, today asked two federal agencies to analyze whether key information from the tax returns of publicly traded companies should be public.

Grassley asked Treasury Secretary Paul O’Neill and Securities and Exchange Commission Chairman Harvey Pitt to describe whether the disclosure of key tax information would help the federal government police corporate practices and allow shareholders and the public to better monitor corporate transactions.

This is the latest of Grassley’s efforts to improve corporate accountability. Last week, he urged the Securities and Exchange Commission and WorldCom, Inc. to provide details of millions of dollars of bonuses that news reports say top company executives received before the company’s collapse. He said managers who knew about the company’s accounting gimmicks should return their bonuses to help keep the company viable.

The text of Grassley’s letter to O’Neill and Pitt today follows.

July 8, 2002

The Honorable Paul O’Neill
Secretary
Department of the Treasury
1500 Pennsylvania Ave. NW
Washington, D.C. 20220

Mr. Harvey Pitt
Chairman
Securities and Exchange Commission
450 5th St. NW
Washington, D.C. 20549

Dear Secretary O'Neill and Chairman Pitt:

The nation's workers and small shareholders have been shaken by the almost daily revelations of corruption and malfeasance in corporate boardrooms. My own state of Iowa has thousands of employees whose employment at WorldCom has now been placed under a shadow.

I am writing to raise the question of whether the information contained in the corporate tax returns of publicly traded companies could be of benefit to government regulators as well as shareholders and workers. Given recent events, it is important that we have a thoughtful discussion of this matter. Specifically, would there be a benefit to efforts to police corporate governance and providing a more accurate picture of a corporation's financial health of requiring corporate tax returns (or a summary version) to be available to the Securities and Exchange Commission (SEC)? In addition, would there be a benefit to shareholders and employees of requiring corporate tax returns (or a summary version) to be publicly available?

I recognize the need to balance the benefits of greater openness with possible pitfalls. For instance, proprietary business data would understandably need to be safeguarded. To that end, I would appreciate your highlighting any drawbacks you see to such a proposal (example, legitimate concerns of business planning) with possible solutions or responses to those concerns (example, providing to the public a summary that will be informative but will still protect confidential business information).

In addition, I would appreciate your views on whether sufficient tax information is already publicly available. Commentators have stated that the tax puzzle of a corporation can be put together from SEC filings, annual reports, etc. However, we saw with the Enron Corp. many analysts providing an estimate of taxes paid, or not paid, that were wildly contradictory.

Thank you for your time and assistance in this matter. Given the Senate's debate on these matters, I would appreciate a response within 14 days. If you have any questions, please contact Mr. Dean Zerbe of my staff at (202) 224-5315.

Cordially yours,

Charles E. Grassley
Ranking Member

cc: Chairman Baucus