



Committee On Finance

Max Baucus, Chairman

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Statement by Finance Chairman Max Baucus
United States Senate
August 29, 2001

In a preliminary response to an inquiry by the Senate Committee on Finance, the Internal Revenue Service (IRS) has acknowledged that possibly 40,000 or more taxpayers from the Northeast may have had their Federal tax returns and tax payments concealed or destroyed at the Pittsburgh lock box facility. Earlier press reports on the disappearance of 1,800 returns and payments in Pittsburgh appear to be only a small fraction of the total number of taxpayers impacted by this incident.

A complete accounting of this matter was requested in an August 16th letter to IRS Commissioner Rossotti. (please see attachment following statement)

Taxpayers affected include those from Connecticut, Maine, New Hampshire, Vermont, Massachusetts, Rhode Island and New York (except New York City, Nassau, Rockland, Suffolk and Westchester counties) who submitted Federal tax returns and payments to the Pittsburgh lock box in April 2001. In addition, this incident also involves taxpayers who made payments accompanying their applications for an extension of time as well as those who made estimated tax payments during this period.

The Treasury Inspector General for Tax Administration (TIGTA) opened a probe after a number of taxpayers began contacting the IRS reporting that their checks had not cleared their bank. Several taxpayers came forward with certified mail receipts stamped by the Pittsburgh lock box acknowledging receipt of their return.

According to IRS and TIGTA, the number of phone calls regarding "uncashed checks" has increased to 21,000 and the dollar impact has escalated to \$810 million. IRS and TIGTA estimate it may be six months or more before the scope and magnitude of this problem is fully known. Preliminary indications are that the problem is confined to the Pittsburgh lock box and does not involve check or identity theft or unauthorized disclosure of tax return information.

There are an untold number of taxpayers from affected states who may have their returns and checks destroyed who are currently unaware of the problem. These taxpayers should review their bank records to determine whether any checks sent to the IRS during the month of April have failed to clear (and therefore not been credited to the IRS). If taxpayers suspect a problem, they should immediately contact the IRS at 1-800-829-1040. The IRS has established a special unit to handle problems associated with the Pittsburgh lockbox and to answer taxpayer inquiries. Taxpayers may contact the special unit directly by writing to: Internal Revenue Service, Post Office Box 9936, Andover, MA 01810 ATTN: Nancy Green, Stop 321. Taxpayers need to make sure they include their SSN or EIN, tax period, and form type, in their correspondence and a phone number where they can be reached.

NOTE: Letter of August 16, 2001 is attached:

August 16, 2001

The Honorable Charles Rossotti
Commissioner
Internal Revenue Service
1111 Constitution Avenue, N.W.
Washington, DC 20224

Dear Commissioner Rossotti:

This letter concerns press reports regarding the disappearance of at least 1,800 taxpayer payments to a Pittsburgh lockbox operated by the Mellon Bank. I am concerned that this problem may be considerably larger than the Internal Revenue Service (IRS) has publicly acknowledged and could extend beyond missing tax payments to an untold number of tax returns and extension requests. Accordingly, I am requesting that you provide the Committee on Finance with a detailed report on the problems involving the Pittsburgh lockbox and IRS's actions to resolve this problem.

Specifically, your report should describe the nature and scope of the problem; the cause(s) of the problem; the parties responsible for creating the problem; what happened to the missing documents; the number and location of taxpayers affected; the number of tax payments (including dollar amounts), returns and other documents missing; when and how the problem was discovered; the actions taken by IRS to notify and assist taxpayers affected; the extent to which individuals can use this incident for inappropriate purposes; the actions taken by the IRS to address issues raised by this problem; whether the problem is occurring at other locations; and what actions are being taken by IRS to prevent future occurrences.

I am requesting that your report be provided to the Committee by August 30, 2001. Thank you in advance for your prompt attention to our request. If you have any questions concerning this matter, please contact Patrick Heck at 224-4515.

Sincerely,

Max Baucus
Chairman

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