



NEWS

AMERICANS FOR TAX REFORM

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FOR IMMEDIATE RELEASE
July 15, 2002

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Don't Like "Tax Shelters"? Then Make Them Unnecessary!

IRS' latest outrage demonstrates the need to rein in bureaucrats and simplify the tax code

WASHINGTON – The Internal Revenue Service has shown typically reckless disregard for taxpayer privacy by disclosing several individuals' sensitive and indeed confidential financial information, despite the fact that none of them have been convicted of or indicted for any wrongdoing whatsoever. And the IRS is demanding that it be given even more information. Understandably – and justifiably -- its intended targets are increasingly reluctant to cooperate.

A lawsuit has been brought against accounting firm KPMG by the Justice Department on behalf of the IRS to shut down alleged "tax shelters." Those offering investment arrangements that have the additional benefit of comparably lower potential tax liability are required by law to register such arrangements with the IRS and provide the IRS with a list of investors upon request. The providers can be penalized if the arrangement is deemed to function solely to avoid taxation.

Disturbingly, the list of names provided by KPMG, in full accordance with law, has been publicly filed by the IRS as supporting evidence in the suit in order to bolster their charges. This is plainly a violation of the IRS' legal obligation to not disclose taxpayers' information. And as though the IRS' motives weren't already highly suspicious, many of the names on the list are prominent figures in business and politics who sought advice from KPMG, and not necessarily participated in any investments of any sort.

These and thousands upon thousands of individuals look to what are disdainfully called "tax shelters" because of the increasingly complex and burdensome nature of the tax code. Empirical studies have shown a clear correlation between the growth of "tax shelters" and high tax rates and/or increasing tax complexity. Therefore, if the goal is to eliminate tax shelters, all that is needed is to move to a flat tax system, which taxes income once and then leaves the taxpayer alone.

Taxpayer advocate Grover Norquist, who heads ATR in Washington, said, "This would normally be shocking, but since it's the IRS we're dealing with, it's really par for the course. They're playing their vicious old name-and-shame game, and there's only one way to stop them from abusing taxpayers in the future. Simplifying the tax code will take away the IRS' ability to pull irresponsible, stupid, and cruel stunts like this ever again. Until we do, we can expect more of the same from these bullies."

Americans for Tax Reform is a non-partisan coalition of taxpayers and taxpayer groups who oppose all tax increases. For more information or to arrange an interview please contact Jonathan Collegio at (202) 785-0266 or by email at jcollegio@atr.org