

JOINT COMMITTEE ON TAXATION

PRESS RELEASE

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The Internal Revenue Service Restructuring and Reform Act of 1998 (the "IRS Reform Act") requires the Joint Committee on Taxation (the "Joint Committee") to conduct a study reviewing the administration and implementation by the Internal Revenue Service of the interest and penalty provisions of the Internal Revenue Code and to make any legislative or administrative recommendations the Joint Committee deems appropriate to simplify penalty or interest administration and to reduce taxpayer burden. The study is required to be submitted to the House Committee on Ways and Means and the Senate Committee on Finance by July 22, 1999.

In connection with this study, the staff of the Joint Committee invites interested parties to submit written comments and recommendations on matters relevant to the study. Specifically, the staff of the Joint Committee invites comments from individuals and groups with respect to the following matters:

- The extent to which the present-law Federal penalty and interest provisions:
 - Encourage voluntary compliance (and the extent to which the administration of these provisions by the Internal Revenue Service encourages voluntary compliance).
 - Deter noncompliance, tax avoidance, and fraud.
 - Produce inequitable results or undue hardships for taxpayers.
 - Result in unequal treatment of similarly situated taxpayers.
 - Result in inequitable treatment of taxpayers and other third parties such as tax return preparers or providers of information returns.
 - Result in tax overpayments or underpayments because of disparities with commercial borrowing rates.
 - Result in inefficient or ineffective tax administration.
- Whether communications from the Internal Revenue Service to taxpayers provide an adequate explanation of why penalties and interest were imposed.
- With respect to the Commissioner's authority to waive penalties and abate interest:
 - The sources and scope of the Commissioner's authority to waive or not enforce penalties and whether such authority should be modified.
 - Whether the Commissioner's authority to abate interest should be modified.
 - Whether the administration of the penalty waiver and interest abatement authority is applied uniformly and fairly and the effect of such administration (including the effect on compliance).

- Whether certain provisions of the Internal Revenue Code should be clarified to identify whether they impose a penalty or a tax.
- How the Federal penalty and interest provisions compare to penalty and interest provisions of voluntary tax systems of other countries.
- Whether different entities should be subject to different penalty regimes and whether such different regimes should be determined by reference to the four operating units in the Commissioner's restructuring plan for the Internal Revenue Service.
- Specific recommendations on ways to:
 - Encourage voluntary compliance.
 - Deter noncompliance, tax avoidance, and fraud.
 - Align the structure of the penalty and interest provisions with the pending reorganization of the Internal Revenue Service.
 - Simplify the present-law penalty and interest provisions.
 - Make the administration of penalty and interest provisions more efficient and effective.
 - Reduce inequities and burdens of taxpayers who are (or may be) subject to the penalty and interest provisions.
- Any other matters that may be relevant to this study.

Interested parties are requested to submit comments in writing to the attention of Lindy L. Paull, Chief of Staff, Joint Committee on Taxation, by Friday, February 26, 1999. Written comments should also be submitted on diskette (WordPerfect 8 format preferred). Comments received after this date may not be considered as part of the Joint Committee study.