



News Release

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IRS and State Partnership Moves Forward to Improve Compliance and Service

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WASHINGTON — The Internal Revenue Service announced today it has seen promising early results from a partnership with the states to target abusive tax avoidance schemes.

So far, the IRS and states have uncovered tens of millions of dollars in previously unidentified abusive transactions during the early stages of the program.

"We are pleased with the initial progress on this partnership," said IRS Commissioner Mark W. Everson. "We've already shared 28,000 leads with the states. We're going to build on this effort to pursue cheaters and expand the program to attack money laundering."

Everson made the announcement in an appearance Monday before the Federation of Tax Administrators (FTA). The group of state tax officials met in Providence, R.I.

Starting in September, the IRS, 48 states and the City of New York and the District of Columbia launched the Abusive Tax Avoidance Transaction (ATAT) partnership. Since then, more than 28,000 leads of those participating in such transactions have been shared between the state and federal government. In the months ahead, the IRS will work to assess and collect tax liabilities associated with the project.

"We value this partnership," said Harley Duncan, executive director of the Federation of Tax Administrators, which represents tax agencies in 50 states, the District of Columbia and New York City. "Working together is often the most efficient way to enforce tax laws, and it is frequently the best way to help honest taxpayers deal with their multiple responsibilities."

Everson said the IRS and states are exploring new ways to extend cooperation with state tax administrators to reduce duplication, improve taxpayer service and intensify the fight against non-compliance with the state and federal tax systems. Tax administrators are looking into joint efforts to identify non-filers, detect the abusive use of offshore payment cards, uncover money laundering and provide one-stop Internet service to businesses and individuals seeking both state and federal employee identification numbers (EIN) for their enterprises.

“When we began this partnership last year, both the IRS and state tax administrators recognized that coordinating our casework and working in tandem could improve compliance and assure the public that everyone is paying their fair share,” Everson said. “These new initiatives are the natural extension of this cooperative effort. The public expects us to continue focusing on ways to improve both compliance and service.”

There are a variety of joint initiatives with the states underway or under consideration, including:

1. State Income Tax Reverse Filing Match — Under this initiative, the IRS will match state income tax filing information against federal data to identify discrepancies, including potential non-filers and those underreporting income.
2. Fed/State Offshore Payment Card Matching Initiative — Under this program, the IRS is expanding use of state databases to assist in identifying and locating taxpayers who have participated in off-shore credit card abuse.
3. Title 31 Money Services Business Memorandum of Understanding (MOU) — This agreement, in the final stages of preparation, will establish a framework for the federal- state exchange of examination information that will enhance compliance by money services. This initiative is the result of the partnership efforts of the IRS, the Financial Crimes Enforcement Network (FinCEN) and state regulatory agencies.
4. Federal State Internet Employee Identification Number (EIN) — In this burden reduction initiative, taxpayers will be able to obtain simultaneously via the Internet an EIN from the IRS and a registration number for sales tax and/or income tax from their home state. This one-stop approach would reduce paperwork and save time.

In devising these initiatives, IRS and state officials have been careful to ensure that procedures governing communication on more routine taxpayer compliance efforts are unchanged. This maintains the important separation of federal and state tax authority and the protection of taxpayer privacy.