

IRS News Release

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IRS and States to Share Employment Tax Examination Results

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WASHINGTON — Officials from the Internal Revenue Service and more than two dozen state workforce agencies today announced they have entered into agreements to share the results of employment tax examinations.

The agreements, part of the Questionable Employment Tax Practice (QETP) initiative, provide a centralized, uniform means for the IRS and state employment officials to exchange data, thereby leveraging resources and encouraging businesses to comply with federal and state employment tax requirements.

So far, 29 states have entered into individual information-sharing agreements with the IRS.

“These agreements present a united front for the IRS and its state partners to improve compliance in the employment tax arena,” said Kathy Petronchak, Commissioner of the IRS Small Business/Self-Employed Division. “Combining resources will help IRS and the states reduce fraudulent filings, uncover employment tax avoidance schemes and ensure proper worker classification.”

“As the first state to sign a memorandum of understanding, Michigan has already begun to forge a much closer working relationship with the IRS, which has significantly increased the sharing of tax and audit information between the IRS and our unemployment insurance program,” said Keith W. Cooley, Director, Michigan Dept. of Labor & Economic Growth. “The exchange of data is helping to strengthen employer compliance with our unemployment insurance tax law by reducing the ability for some to manipulate the system, which burdens honest taxpaying employers with extra costs. Our objective is an unemployment tax system that is fair for all employers.”

“New York State is pleased to work with the IRS and other pilot states on the QETP initiative,” New York State Labor Commissioner M. Patricia Smith said. “We are committed to the development of federal-state partnerships that are crucial to effective tax enforcement.”

California, Michigan, New Jersey, New York and North Carolina all are part of the team that developed the strategy, and they were instrumental in helping make sure the agreements meet the needs of the participating states as well as the needs of the IRS.

The states that have signed partnership agreements with the IRS thus far are:

Arizona, Arkansas, California, Colorado, Connecticut, Hawaii, Idaho, Kentucky, Louisiana, Maine, Massachusetts, Michigan, Minnesota, Nebraska, New Hampshire, New Jersey, New York, North Dakota, Ohio, Oklahoma, Rhode Island, South Carolina, South Dakota, Texas, Utah, Vermont, Virginia, Washington and Wisconsin.

In addition to coordinating compliance activities, the agreements call for collaborative outreach and education activities designed to help businesses understand their employment and unemployment tax responsibilities.

The state agencies, the U.S. Department of Labor, the National Association of State Workforce Agencies, the Federation of Tax Administrators and the IRS worked together on various facets of the exchange agreements.

The exchange agreements are the first result of the QETP initiative. The QETP team will use the results of the project to find new opportunities for collaboration and to work toward improved employment tax compliance.