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Contact: Dan Virkstis (Baucus) (202) 224-4515
Lauren Bloomberg (W&M) (202) 225-8933
Jill Gerber (Grassley) (202) 224-4515
Marques Chavez (Crapo) (202) 224-6142
Rick Curtsinger (Boustany) (202) 225-2031

**LAWMAKERS INTRODUCE LEGISLATION
TO FIX UNFAIR PENALTIES ON SMALL BUSINESSES**

Baucus, Grassley, Crapo, Lewis, Boustany Proposal Would End Disproportionate Taxes on Small Businesses

Washington, DC — Senate Finance Chairman Max Baucus (D-Mont.), Ranking Member Chuck Grassley (R-Iowa) and Senator Mike Crapo (R-Idaho), along with Ways and Means Oversight Subcommittee Chairman John Lewis (D-Ga.) and Ranking Member Charles Boustany (R-La.) introduced legislation today to help ensure penalties assessed by the Internal Revenue Service (IRS) on tax shelter investments are in proportion to the tax benefits received. The bipartisan, bicameral group of lawmakers proposed the measure after discovering some small businesses that unknowingly invested in listed tax shelter transactions suffered tax penalties as high as \$300,000 per year in some cases, but received a tax benefit for as little as \$15,000 from the transaction.

“Congress needs to do its part to make sure the tax code treats the affected businesses fairly. Our proposal would ensure that tax penalties are in line with the received tax benefits in an effort to avoid any extra burden on businesses already strapped in the down economy,” Baucus said. **“This is an issue of tax fairness and we need to move forward on this bill as quickly as possible.”**

“The intent of the original legislation was to get at the big corporations that were working hard to hide their participation in tax shelters,” Grassley said. **“Small businesses that have no ill intent shouldn’t get caught in the same net. The penalty should be in proportion to the transgression. This legislation makes that fix, and it’s a matter of fairness to get it done.”**

“I appreciate the bipartisan effort in the Senate and the House to address this unfair and inflexible provision in current law that has placed unexpected and unreasonable burdens on small businesses,” added Crapo. **“I look forward to working with my colleagues on the Finance Committee to see this correction enacted into law as soon as possible.”**

“Small businesses are facing tremendous economic pressure,” said Ways and Means Oversight Subcommittee Chairman John Lewis (D-Ga.). **“During an Oversight hearing in June, we learned that small businesses are being hit by millions of dollars in penalties for failing to disclose listed transactions on their tax returns. Although the penalties were aimed at big corporate tax shelters, we learned that over 94 percent of the taxpayers that were assessed penalties are small businesses. This is not fair. Small businesses should not be run out of business by tax shelter penalties aimed at big corporations. I am pleased to work with Chairman Baucus, Ranking Member Grassley, and Ranking Member Boustany to correct the disproportionate nature of this penalty.”**

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“Small businesses are driving economic recovery, and this bill will provide relief to those small businesses that unknowingly triggered a penalty meant for big business tax shelters,” said Ways and Means Oversight Subcommittee Ranking Member Charles Boustany (R-La.). **“We must hold accountable those individuals and businesses which purposefully break our tax laws. At the same time, we must make certain the penalties correspond to the wrongdoing, and this bill accomplishes this important goal.”**

The lawmakers sent a letter to IRS Commissioner Doug Shulman in June requesting he use the agency’s tax administration authority to suspend efforts to collect these penalties imposed on small businesses under IRS code section 6707A while Congress moved forward on this legislative solution.

Summary of the Small Business Penalty Relief Act of 2009:

The proposal revises Internal Revenue Code section 6707A so that the penalty for failure to disclose a reportable transaction to the IRS is commensurate with the tax benefit received from the transaction. Reportable transactions are transactions that the IRS has identified as listed tax shelters or that have characteristics of tax shelters, including large losses or confidentiality agreements. The penalty would be 75 percent of the tax benefit received, with a minimum penalty of \$10,000 for corporations and \$5,000 for individuals, and a maximum penalty of \$200,000 for corporations and \$100,000 for individuals. The proposal also requires the IRS to submit a report annually to the Senate Finance Committee and the Committee on Ways and Means in the House of Representatives on various tax shelter penalties assessed by the IRS during the preceding year.

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