



# Committee On Finance

Max Baucus, Ranking Member

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## **Baucus Outraged at KPMG Criminal Conduct**

(WASHINGTON, D.C.) Today, the U.S. Department of Justice announced that accounting firm KPMG admitted to criminal wrongdoing that cost the United States more than \$2.5 billion dollars in taxes. KPMG concocted tax shelter transactions and filed false and fraudulent tax returns that claimed phony tax losses. In a deferred prosecution agreement, KPMG will pay \$456 million in fines, restitution and penalties, and agreed to several restrictions on future business activities. It also must fully cooperate with pending criminal investigations of several former KPMG partners, staff and associates.

Senator Max Baucus, Ranking Democratic Member of the Senate Finance Committee, issued the following statement:

“Today's admission by KPMG that the firm engaged in a broad criminal conspiracy to concoct false and fraudulent tax shelters is long overdue and confirms what many have suspected for some time. Two years ago, the accounting firm told the Finance Committee that ‘from KPMG's perspective, tax advice and assistance provided to clients was exhaustively reviewed and analyzed to assure consistency with law and regulations in effect at the time.’

“The detailed statement of facts presented in court today makes clear that KPMG knowingly broke the law and then blatantly lied about it to Congress, the Internal Revenue Service and the Department of Justice. KPMG's conduct has undermined the integrity of our voluntary self-assessment tax system and the significant fine imposed today in no way diminishes that fact. KPMG must continue to cooperate with the government, clean house, and implement strong quality controls to ensure compliance with the letter and spirit of our tax laws. Moreover, KPMG should not be permitted to deduct their settlement payment and shift the cost onto the back of the American taxpayer.

“Further, KPMG's admission to its criminal activity underscores the need for strong anti-tax shelter laws. It's not right that the truth had to come at the cost of not only billions of dollars of lost taxes, but also after an expensive government investigation as well. The American people should not have to shoulder this burden. I am committed to ensuring that this wrong is made right and that KPMG changes its ways. It's time for this Congress to codify the economic

substance doctrine to give the government the tools it needs to crack down on abusive tax avoidance schemes without years of court wrangling.”