



U.S. SENATE COMMITTEE ON

Finance

SENATOR CHUCK GRASSLEY, OF IOWA - CHAIRMAN

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For Immediate Release

Friday, Jan. 20, 2006

Grassley Urges Treasury to Fix IRS' Frozen Refunds Program

WASHINGTON – Sen. Chuck Grassley of Iowa, chairman of the Committee on Finance, is urging the Treasury Secretary to fix a tax fraud detection program and save innocent taxpayers from having their refunds frozen, with no notice and no chance to defend themselves, during this spring's tax filing season.

“Taxpayers have a right to expect the federal government to provide them timely notice that they will not receive a refund and inform the taxpayer of their opportunities for redress,” Grassley wrote to Treasury Secretary John Snow. “I strongly urge you to take immediate steps to provide taxpayers notice within 90 days of an action that freezes a refund.”

Grassley's letter came after the National Taxpayer Advocate, who serves as an ombudsman for taxpayers with the Internal Revenue Service, faulted the IRS' refund fraud detection program in her annual report of the worst problems facing taxpayers. Taxpayer Advocate Nina Olson said the IRS freezes tens of thousands of tax refunds it deems questionable every year without telling taxpayers that they're suspected of fraud.

Grassley urged the Treasury secretary to make sure taxpayers receive notice of frozen refunds and are given an opportunity for redress. He said the changes should occur during this spring's tax filing season.

“As is so often the case with the work of the IRS, it is a necessary balance between taxpayer rights and enforcement of the law,” Grassley said in his letter. “My concern is that that balance has been lost in this case when the (program) is freezing refunds and the taxpayer is provided little, and sometimes zero, timely notice that they will not be getting a refund.”

The text of Grassley's letter follows.

January 19, 2006

The Honorable John Snow
Secretary
Department of Treasury

1500 Pennsylvania Avenue NW
Washington, D.C. 20220

Dear Mr. Secretary:

I am writing to you regarding the taxpayer advocate's December 31, 2005, report to Congress and in particular the concerns she raises as to the IRS Criminal Investigation's Questionable Refund Program (QRP).

Finance Committee staff, on a bipartisan basis, were briefed this morning by Criminal Investigation (CI) staff on this program. I appreciate the perspective of CI staff on these matters and particularly the difficult job CI faces dealing with individuals who are aggressively and actively engaged in refund tax fraud. The briefing was beneficial but did not satisfy my concerns.

As is so often the case with the work of the IRS it is a necessary balance between taxpayer rights and enforcement of the law. My concern is that that balance has been lost in this case when the QRP is freezing refunds and the taxpayer is provided little, and sometimes zero, timely notice that they will not be getting a refund. Taxpayers have a right to expect the federal government to provide them timely notice that they will not receive a refund and inform the taxpayer of their opportunities for redress. I strongly urge you to take immediate steps to provide taxpayers notice within 90 days of an action that freezes a refund.

Providing notice is not a complete solution. Care must be taken also to limit the number of innocent taxpayers who are subject to a freeze of their refund. I would strongly encourage you to have the taxpayer advocate, criminal investigation and the treasury inspector general for tax administration (that is also reviewing the QRP) to make as a priority to meet and formulate reforms that will improve the likelihood that the QRP is not unduly burdening innocent taxpayers and is more likely going to capture the tax cheats. I also appreciate any suggestions that you may have on changes in the law that will make it easier to identify and criminally prosecute these refund tax cheats that are a plague to the tax system.

I ask that you please look at these reforms for QRP to take place for this current filing season. QRP involves tens of thousands of taxpayers, many of them who are honest and deserve fair treatment. Thank you for your time and attention to this important matter.

Cordially yours,

Charles E. Grassley
Chairman

cc: Senator Baucus