



U.S. SENATE COMMITTEE ON

Finance

SENATOR CHUCK GRASSLEY, OF IOWA - CHAIRMAN

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For Immediate Release

Wednesday, June 28, 2006

Committee approves Grassley legislation to stop illegal sex trafficking with tax code violations

WASHINGTON — A Senate committee today approved legislation that would use the federal tax code to put behind bars criminals who make money in the underground economy by selling sexual access to girls and women.

The tax provision was sponsored by Sen. Chuck Grassley, who chairs the Senate Committee on Finance. Grassley said his target is criminals who hold girls and women captive in sexual enslavement, as well as run-of-the-mill pimps who operate on the streets nationwide.

“It’s a no-brainer to have the IRS go after sex traffickers,” Grassley said. “Prosecuting tax code violations can get these guys off the street and yank from their grasp the girls and women they exploit. This crime is right under our noses in the United States, and it’s especially horrible when under-age girls are being held prisoner. The thugs who run the trafficking rings are exploiting society’s poorest girls and women for personal gain.”

The Grassley proposal gives the IRS harsh new criminal penalties to arrest those in the underground criminal economy. The majority of the victims of human trafficking – those who are often smuggled in from other countries and virtually imprisoned in a house set up for prostitution – are girls ages 13 to 17.

In the past the IRS has been saddled by focusing on proving how much income a sexual trafficker or pimp earns in order to show that the trafficker has not been paying enough income tax. The Grassley provision packs its punch with the failure to file information returns, even the W-2 form. The new legislation makes the failure-to-file provision apply per failure. The enhanced jail time for failure to file would apply to those forms for which the associated income was earned in an underlying criminal activity. For example, if a trafficker has failed to file W-2s for five girls (employees), the maximum penalty would be 10 years in prison per failure to file, or 50 years.

Grassley’s proposal also authorizes \$2 million toward the establishment of an office in the IRS criminal investigation division to prosecute unlawful sex traffickers for violations of tax laws and the commission of financial crimes.

The tax proposal targeting sex traffickers was included in a good government tax bill which the committee passed unanimously by a voice vote. The overall measure also includes provisions to repeal the telephone tax and improve IRS service to taxpayers by cleaning up

administrative matters that inhibit good service.

“I hope this provision passes both the House and Senate. I’ll work to make that happen. I’m already hearing positive feedback in both houses of Congress,” Grassley said. “Al Capone was finally put behind bars for evading the tax code. The IRS goes after drug traffickers. We can use the tax code to help get illegal sex traffickers, too.”