

Congress of the United States

Washington, DC 20515

September 27, 2002

The Honorable Paul H. O'Neill
Secretary of the Treasury
1500 Pennsylvania Ave., N.W.
Washington, D.C. 20220

Dear Mr. Secretary:

As you are aware, the New York region suffered massive economic damage in addition to the loss of thousands of lives and billions of dollars in property from the attacks of September 11, 2001. In response, Congress and the administration agreed upon an assistance package for the affected areas that includes various forms of direct assistance as well as a package of tax benefits, generally known as the New York Liberty Zone tax benefits.

Given the magnitude of loss in New York City, we are committed to ensuring that the total amount of assistance intended for New York is provided. To the extent that, for example, the total estimated tax benefits are not realized, corrective steps will need to be taken as soon as possible.

Because there are multiple forms of tax benefits that may be taken over several years by various taxpayers, constructing a system to track the use of the benefits will require appropriate planning. Generally, the new law creates an additional qualification criterion for an already existing tax benefit, such as with the Work Opportunity Tax Credit. In order for the Internal Revenue Service to determine whether the tax benefit being claimed by a taxpayer is a result of the Liberty Zone tax benefits, IRS will need to ensure that it is gathering sufficiently detailed information to separately identify whether, for example, the Work Opportunity Tax Credit is being claimed due to the new Liberty Zone criterion or due to other eligibility criteria.

However, we understand that the IRS does not plan to track the extent to which the Liberty Zone tax benefits are actually used and the value of those benefits to the users. This information is vital to ensuring that our national commitment of assistance is fulfilled. Further, ensuring that appropriate, timely information on the use of the Liberty Zone tax benefits is available may well depend on revising the specific taxpayer forms and instructions that IRS will issue in the next few weeks.

Accordingly, we request that you commit to tracking the use of the Liberty Zone tax credits and providing us routine reports on the extent to which the tax benefits are being claimed and the value of those claims. Further, we ask that you describe the specific plan for obtaining sufficient information to support such periodic reporting on each of the tax benefits authorized for the Liberty Zone. Finally, please include in your response a schedule for how frequently IRS report on the use of each tax benefit and the type of information that will be included for each tax benefit.

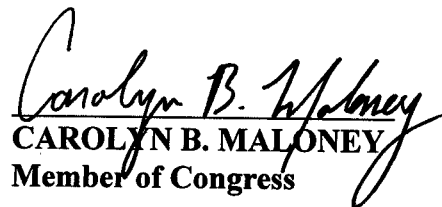
Although this reporting will be of great value to Congress in overseeing the tax-related assistance provided to New York, it will of necessity be after the fact. That is, we will not know how many taxpayers take advantage of these tax benefits and the values of the benefits to them until after tax returns are filed and processed by IRS--well after the benefits have been used. Given the immediacy of the need for assistance, it would also be helpful to us to have advance estimates of the likely use of the credits. As the legislation creating the Liberty Zone tax benefits was being considered, the Joint Committee on Taxation estimated the value of the tax benefits to be \$5.5 billion. We are concerned about news media reports that the administration already may have reestimated the value of the benefits to be \$500 million lower. The Department of the Treasury makes such estimates for the administration. Please also provide us your best current estimate of the likely value of the Liberty Zone tax benefits and, to the extent your estimate varies from that of the Joint Committee, please also explain why your estimate differs.

The New York region suffered immeasurable loss when the terrorists attacked just over one year ago. As the region continues to recover, we thank you for your assistance in ensuring that federal aid is put to its best use.

Thank you for your prompt attention to this request. If you have any questions please contact John Shiner in Mr. Rangel's office at 202-225-4365.

Sincerely,


CHARLES B. RANGEL
Member of Congress


CAROLYN B. MALONEY
Member of Congress

cc: Internal Revenue Service Commissioner Charles Rossotti