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Obama Pushes for Greater Tax Enforcement Without Addressing the Compliance Burden on Business

Houston, January 20, 2010

On Wednesday, January 20, 2010, Henry J. Pulizzi reported in a Dow Jones news release that President Barack Obama is ordering various steps be taken to thwart tax cheats. These include:

- A directive to the Office of Management and Budget and other federal agencies to keep contractors who are delinquent on their taxes from getting new contracts with the government. The President's goal is to ensure that tax cheats aren't boosting their bottom lines at taxpayers' expense.
- A directive to the Internal Revenue Service to review the overall accuracy of firms' claims about tax delinquency "to be sure that when a company says it's paying taxes, it's not lying."

An administration official said, "The Administration urges Congress to approve legislation to allow the IRS to crack down on corporate tax cheats." He further stated, "Congress also is urged to allow data-sharing between the IRS and contracting officials at agencies to ensure that scofflaws do not exploit some loophole to continue to win federal contracts."

Dean Zerbe, Alliant Group's National Managing Director in Washington D.C. and former Tax Counsel and Sr. Counsel on the Senate Finance Committee, calls for a broader approach, stating that enforcement needs to be balanced with taxpayer rights for small and medium businesses and with better service.

According to Zerbe, "I appreciate the President's call for tax enforcement, but I am greatly concerned that any crack-down on tax cheats needs to be coupled with strong improvements in IRS service and better protection of taxpayer rights."

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Zerbe continues: “The IRS and the administration need to make it easier for the vast majority of business owners who want to comply with the tax laws. Simply pounding on business owners during this tough economy is going to be a job destroyer for business. Before Congress gives the IRS any more tools to pound on struggling businesses, they should consider significant improvements in taxpayer rights for small and medium business. Small and medium businesses already spend a significant amount of income on tax compliance. If we want to encourage new jobs in the private sector, Congress needs to lessen these tax compliance costs, not add to them.

The White House should take note from the Massachusetts Senate election that making life harder for small and medium-size businesses is not the right answer.”

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