



U.S. SENATE COMMITTEE ON

# Finance

SENATOR CHUCK GRASSLEY, OF IOWA - CHAIRMAN

<http://finance.senate.gov>

## Floor Speech of Chairman Grassley on Tax Loophole Closers in JOBS Act

Mr President:

I want to say a few words about the very important anti-fraud provisions in this conference report. Most of the focus here and in the media has been on the tax benefits of this legislation. But an extremely important aspect of the bill includes the giant tax loophole closers we're about to enact.

This legislation includes the so-called Enron reforms that members have been pushing for over the last three years. It's a little ironic that many of those same senators who've demagogued the Enron scandal are now opposing this bill. They seem to be more interested about something that's not in this bill, than the very good public policy of cracking down on fraud that's actually in the bill.

I'm very proud of the fact that many of these anti-fraud measures in this report were investigated and exposed by the Senate Finance Committee. Working with Senator Baucus, along with various whistleblowers and informants, and now with the House, we're about to shut them down. It certainly hasn't been easy, but it's a real example of how perseverance pays off.

Back in July of 2001, my Finance Committee staff first discovered what's become known as a huge fraud upon the taxpayer, and that is fuel tax evasion. This fraud is costing the taxpayers at least \$10 billion. The Finance Committee had a very important hearing exposing this growing tax scam. The problem has come to light in more recent prosecutions. One involved an alleged terrorist cell that was skimming off fuel and selling it using the money for God only knows. In another case, in July, prosecutors charged 19 workers at Miami International Airport with falsely classifying jet fuel as contaminated, and then selling it on the sly, stealing 2.7 gallons of fuel.

An even bigger tax scam that my staff uncovered involves what's known as "sales-in-lease-out" or "SILO" schemes. The Finance Committee held a major hearing on this scam showing these fraudulent arrangements are put together by high-priced lawyers and accountants. In these scams, companies actually purchase public works systems, like subways and sewers, from cities and then lease them back to the same cities. The cities get upfront purchase money, and the companies get millions of dollars of tax write-offs. And, so the taxpayer is left holding the empty bag. I know this sounds unbelievable, but it's true. This conference report puts a stop to this and saves the taxpayer over \$27 billion.

Let me also note that we have provisions that address significant abuses in the donation of intellectual property as well as donation of cars. Corporations have been reducing their tax bill by hundreds of millions of dollars each year by taking intellectual property of little to no value and

donating it to a charity. This legislation ends this abuse by corporations while still encouraging the donation of legitimate intellectual property that has real value for actual development.

In addition, we end the shady tax practices of people providing some junker to a charity and claiming thousands for it as a deduction on their income tax. Our reforms will place no additional burden on the donor, will not reduce the amount going to charities from a donated car by a dime and will benefit all taxpayers by ending this abuse.

There has been noise coming from a few that this reform shouldn't have been done on this bill. A lot of that noise is coming from the middlemen who are the ones that really make the profit in this scam. Mr. President, to say we should have delayed is nonsense. As my comments highlight, it is very difficult and also uncommon for us to have a legislative opportunity to address tax shelters and tax abuse. This bill provides the most sweeping attack on shelters and abuse in a generation. We cannot pass up an opportunity to address an abusive tax situation – it can very well be years before another opportunity presents itself to deal with the problem.

These efforts to address abuses in charitable donations are part of an ongoing bipartisan Senate Finance Committee review of nonprofits. I anticipate us addressing other areas in the future such as land donation and façade donations based on our investigation of the Nature Conservancy and other land donation organizations.

I am very pleased that we deal in this bill with the situation of executives who take corporate aircraft for personal travel. Legislation in this bill will put significant limitations on corporations being able to write off such high living. Again, based on the work of the Finance Committee we were able to ground a good number of these high-flying corporate executives.

The Finance Committee initially placed limitations to deal with abuses we were seeing in the Virgin Islands and other U.S. territories. There were many, many people going down to the Virgin Islands to not only get a tan but also to avoid the tax man. I'm pleased that working with Treasury and the Ways and Means Committee we were able to further tighten these limitations to address the tax problems we are seeing there.

Finally, I'm glad that in conference committee we were able to adopt the Finance Committee's proposal, championed by Senator Nickles, to end the SUV deduction for businesses. Senator Nickles was right when he said it would be an embarrassment if we couldn't deal with this abuse. Well, we did.

Mr. President, that's around \$50 billion of fraud that the Finance Committee uncovered, pursued and that's in this bill. And, that doesn't count the billions of dollars the House wouldn't agree to. Mr. President, I'd say the taxpayers are getting their money's worth out of the Senate Finance Committee. The Constitution may say revenues have to start in the House, but the fact is they're being created in the senate by closing loopholes and cracking down on fraud and abuse.

Mr. President, because the Finance Committee has been so successful in rooting out tax fraud, we have more and more information coming to us over the transom about newer, more crooked and creative scams being cooked up out there in the underworld of tax shelters. All I can say is watch out, because we're coming after you.

