



U.S. SENATE COMMITTEE ON

Finance

SENATOR CHUCK GRASSLEY, OF IOWA - CHAIRMAN

<http://finance.senate.gov>

MEMORANDUM

To: Reporters and Editors
Re: Finance Committee jurisdiction over tax issues
Da: Monday, Nov. 22, 2004

On Saturday morning, Finance Committee staff for Sen. Chuck Grassley, chairman, found and took issue with language in the omnibus appropriations bill that would have given appropriations members and their staff access to confidential taxpayer records. Grassley's Finance Committee staff members were not consulted about the provision and never saw it until they found it on their own. Throughout the day, Grassley and Sen. Max Baucus, ranking member, and bipartisan Finance Committee tax staff made efforts to remove or otherwise nullify the offensive provision, but were rebuffed. No movement occurred until even more senators became intensively involved. Comments from appropriators in today's media reports appeared to overlook the Finance Committee's role as the Senate committee with jurisdiction over tax policy, even as they acknowledged the provision was a mistake and is rightfully being removed. On Saturday, as the Senate debated the omnibus, Grassley submitted the following statement into the floor record.

Floor Statement of Sen. Chuck Grassley
Saturday, Nov. 20, 2004

As I listen to the debate tonight about Sec 222, which invades the privacy rights of taxpayers, I would like to point out an important lesson in all of this. The lesson is that tax measures should be left to the tax writing committees. Only the Finance Committee and the Ways & Means Committee have the jurisdiction and the technical expertise to write our nations' tax laws. And tax laws are technical. As Sec. 222 in this bill shows, you'd better know what you're doing when you write a tax provision. You had better understand the history of the measure and all of its ramifications.

In the Finance Committee, we use great care in drafting our tax provisions, and we do it in an open manner. All members can see what we are doing and have a chance to understand why we are doing it, and to comment on it. But too often, the Finance Committee has to go through a rite of scrubbing Appropriations bills to remove poorly conceived and poorly drafted tax provisions that try to sneak in at the dark of night.

It is not just Appropriations bills where this occurs. It happens on many other bills as well. Often, these provisions have been rejected by the Finance Committees as bad policy, only to turn up in an unseen attack on our Committee's jurisdiction. As the bill shows tonight, it is not necessarily members that do this. It is sometimes staff who add an idea. This allows staff to bypass the scrutiny of the entire Finance Committee – 21 senior members of the Senate are deprived of their right to pass judgment on a tax measure. Let me give you some examples of what we have had to fend off lately.

Last week, we had to defeat an Appropriations proposal that would have cut off funding for federal agencies that help the IRS obtain information about Americans investing in foreign countries. That measure would have undercut U.S. tax law enforcement and damaged our initiatives to combat tax shelters. It would have damaged our international competitiveness and undermined our nation's efforts to combat money-laundering and terrorist financing. I am confident that the proponents of this measure never knew about its broader ramifications. But that is what happens when tax proposals evade the scrutiny of the Finance Committee.

Here is another example. Recently the Armed Services Committee sought to create a charity for assisting servicemen and their families. On its face, this is certainly a good cause that we can all support. Unfortunately, the statutory language drafted by the Armed Services Committee had very serious flaws and was unworkable under the tax code. It was only after significant time and energy by the Finance Committee, exerted after the fact, that we fixed something that shouldn't have been broken in the first place.

If members will learn to work with the Finance Committee, instead bypassing it, we can usually achieve the results you seek. Here is an example. The House Appropriations Committee tried to expand the definition of census areas for determining eligibility for a certain tax program. This provision was not agreed to by the Senate Appropriators. The provision was later passed in the JOBS bill. This highlights that we try in good faith to work with members who will work with the Committee.

So let me send a very clear message. The controversy around this Appropriations bill should serve as a warning to all who would bypass the jurisdiction and expertise of the Congressional tax writing committees. We work to defeat stealth tax measures not just to protect our Committee's jurisdiction, but to protect the American people from bad ideas. In the Senate it is the Finance Committee, and only the Finance Committee, that has the experience, expertise, and seasoned resources to process tax laws for our nation. Members and staff should remember today's events the next time they are approached to insert a "harmless" tax measure into an unrelated bill.