



Congress of the United States
House of Representatives
Washington, DC 20515

April 4, 2006

Commissioner Mark Everson
Internal Revenue Service
1111 Constitution Avenue NW
Washington, D.C. 20224

Commissioner Everson:

We write to voice our strong concern regarding an IRS proposal that weakens the privacy of federal income-tax returns.

As you well are aware, tax returns contain extremely confidential and sensitive personal information, including income, homeownership, employer, investments and other assets, number and age of children, type of vehicle, and even charitable donations. Over thirty years ago, Congress rightly recognized the private nature of this information by criminalizing the disclosure and use of tax return information, with very limited exceptions.

In the IRS notice of proposed rulemaking, your agency describes the new rules as an effort to “safeguard taxpayer information,” yet under our analysis, and in consultation with the Congressional Research Service and several public interest organizations, the new rules appear to weaken the existing taxpayer privacy rules and explicitly permit broad information sharing.

According to your own summary of existing IRS regulations, tax preparers currently may use tax return information only within their own company or those companies that are members of the preparer’s “affiliated group.” The proposed rules do not contain this “affiliated group” limitation, and therefore appear to allow for wider use, sharing, and selling of the entire tax return to unaffiliated companies, wholly outside the original preparer’s control. Such information could then be sold to other companies or data brokers for whatever use, leaving the tax payer with no control over their personal financial information.

While we commend the IRS for making some constructive improvements in notice and consent requirements, we have strong concerns that too many taxpayers, in their rush to file on time, or in trusting their tax preparer, will sign away their privacy rights without being adequately informed. Despite your interpretation, we see little public interest in granting tax preparers the ability to share and sell tax return information with third parties. We question whether such sharing should be permitted at all, and request that you provide a more detailed justification for weakening the current information sharing rules and explicitly permitting wide information sharing.

Further, your interpretation of the existing rules on the use and disclosure of taxpayer information is creating significant confusion and ambiguity, and the new rules do not appear to be consistent with the statute, which does not, in our view, permit broad information sharing. Please explain how your new proposal is consistent with the statute. Lastly, we are concerned that the proposed rules did not receive a sufficient public review. We urge you to reopen and extend the public comment period for these rules.

Rather than giving a veritable gold mine of private information to the billion-dollar information business, the federal government should set the gold standard for taxpayer privacy. We urge your agency to revise your rules to reflect our concerns, and we look forward to your response.

Sincerely,

W. John

Myron J. Schwartz

Mark Udall

Rick Warren

Lois Capps

Pat Z. Harris

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