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United States Senate

COMMITTEE ON SMALL BUSINESS
WASHINGTON, DC 20510-6350

February 16, 2000

BY FACSIMILE (202/622-5756)
ORIGINAL BY U.S. MAIL

The Honorable Charles O. Rossotti
Commissioner
Internal Revenue Service
1111 Constitution Avenue, N.W.
Washington, DC 20224

Dear Commissioner Rossotti:

Yesterday, my staff received a press release announcing that the Internal Revenue Service (IRS) has completed its work on the revised third-party notices required under new section 7602(c) of the Internal Revenue Code. While I am pleased that progress has been made on this issue after nearly a year, I was disappointed to learn about the new notices through a press release and a *USA Today* front-page story. In addition, I am troubled by the difficulty my staff experienced in obtaining copies of the new notices, especially when they were made available to various small business groups and the press yesterday. After my staff and I had worked so closely with your agency on this important matter over the past year, I had hoped to be apprised of these developments in a more appropriate manner.

The lack of notification aside, I am pleased to see that the new notices are more clearly written with less potential for unnecessarily alarming the taxpayers who receive them. The creation of different notices to address specific circumstances is also a significant improvement over the original "one size fits all" approach. I continue to be concerned, however, that the notices do not clearly state whom the IRS intends to contact, and only a few letters indicate the type of information the agency expects to receive from the third parties.

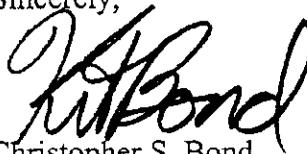
In addition, it is unclear from most of the new notices whether the IRS has made the determination that a third-party contact will even be necessary. While each letter provides that it is the IRS' practice "to deal directly with a taxpayer or a taxpayer's duly authorized representative," most of the letters go on to state that "we *may* contact other persons . . ." and "*If we do contact* other persons . . ." (emphasis added). If the agency has not determined that necessary information cannot be obtained directly from the taxpayer or needs to be verified, why should the taxpayer even receive one of these new notices? The notices should only be sent when third-party contacts are determined to be *absolutely necessary*, and they should clearly indicate who will be contacted and what information is needed.

The Honorable Charles O. Rossotti
February 16, 2000
Page 2

Clearly, the involvement of third parties is sometimes required as part of the IRS duty of enforcing the tax laws. Section 7602(c) was designed to strike a balance between those considerations and the potential damage to a taxpayer's reputation and relationships that can result from a third-party contact. I urge you to consider my foregoing comments so that this new provision is implemented as Congress originally intended.

Thank you for your continued assistance in assuring that this taxpayer right is implemented to the benefit of the citizens it is designed to protect. If you have any questions, please contact me or Mark Warren, the Committee's Tax Counsel, at (202) 224-5175. We are ready and willing to continue working with you on this matter and would be happy to discuss any of the foregoing comments in greater detail.

Sincerely,

A handwritten signature in black ink, appearing to read "Chris Bond", written in a cursive style.

Christopher S. Bond
Chairman