

**IRS****News Release****Media Relations Office****Washington, D.C.****Tel. 202.622.4000****For Release: 9/16/02****Release No: IR-2002-99****TAX SHELTER DISCLOSURE INITIATIVE BENEFITS THE IRS IN FIGHTING ABUSE**

WASHINGTON – The Internal Revenue Service continues to reap benefits from its tax shelter compliance efforts as officials evaluate information produced by the 120-day disclosure initiative that ended earlier this year.

As of the end of August 2002, the IRS Office of Tax Shelter Analysis has recorded 1,664 disclosures from 1,206 taxpayers who disclosed their questionable transactions. These disclosures are being assigned to field agents who will continue to contact taxpayers over the next few months to determine appropriate resolution of their various issues.

“Over one thousand taxpayers voluntarily disclosed questionable tax transactions that they had engaged in and submitted names of the tax shelter promoters who sold them the transactions,” said IRS Commissioner of Large and Mid-Size Business Larry Langdon. “We are working to audit and resolve the transactions disclosed by taxpayers as quickly and efficiently as possible.”

In addition, the IRS is using the disclosures to identify tax shelter promoters. The IRS is aggressively examining the activities of these promoters, who are required by law to keep lists of all investors that bought tax shelters from them. Upon receipt of the investor lists from promoters, the IRS will be able to identify taxpayers who participated in tax shelters and failed to disclose them.

“Using information from these lists, the IRS will pursue investors who participated in abusive transactions, but did not disclose them,” said Commissioner Langdon. “In appropriate cases, penalties will be imposed.”

Taxpayers have disclosed transactions in which they claimed deductions or losses amounting to billions of dollars. These transactions will be audited and may result in additional income tax. Until the IRS completes its compliance actions, it's too early to put a precise figure on the amount of tax collected as a result of the initiative.

Although many of the types of complicated tax shelter transactions disclosed were known to IRS experts, the disclosure initiative also revealed a number of new tax shelter transactions. These transactions are now being analyzed by the IRS Office of Chief Counsel and the Treasury Department for possible identification as transactions that promoters and investors must disclose.

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The disclosure initiative, which ended on April 23, 2002, provided taxpayers an opportunity to disclose questionable transactions to the IRS. If taxpayers provided all relevant information about the disclosed transactions or items, the IRS would waive certain accuracy-related penalties that may apply to tax shelters and other questionable items that resulted in an underpayment of tax.

The disclosure initiative is one of numerous steps the IRS and the Department of Treasury have taken recently to shut down abusive tax shelter activity. Apart from the disclosures obtained from this initiative, the IRS is examining over 30 promoters and has issued 163 summonses to 12 promoters, requiring compliance with requests for information.

The IRS continues to seek the views of taxpayers and practitioners as to resolution processes that should be considered and that are consistent with good tax administration. Comments can be sent to the IRS Office of Tax Shelter Analysis via email at: [otsa@irs.gov](mailto:otsa@irs.gov).

For more information on abusive tax shelters, go to the IRS Web site at [www.irs.gov](http://www.irs.gov).

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