

**Prepared Remarks
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Commissioner, Small Business/Self-Employed Division
Internal Revenue Service
IRS/State ATAT MOU Event
Treasury Department
September 16, 2003**

The agreement we are announcing today is a testament to the positive impact that partnering between the IRS and the State tax organizations can have on good tax administration. This agreement to jointly address abusive schemes and transactions is the culmination of a ten-month partnership by a joint IRS and State team. In particular, I'd like to take this opportunity to express my sincere thanks to officials from the New York Tax Commission who co-chaired the team, as well as State tax administrators from Arizona, California and North Carolina, for their contributions to the team. Their assistance and expertise, as well as the support of our respected colleagues at the Federation of Tax Administrators, has fortified my belief in the value of FedState partnerships when dealing with the most complex tax administration issues.

This new agreement increases cooperation between the IRS, the majority of States and the District of Columbia, plus it enables us to leverage our resources and expertise across the board.

I would now like to highlight a few of the major provisions of this cooperative effort.

A major change resulting from this agreement will be the up-front exchange of information around identified schemes and abusive transactions. This will allow us to leverage and focus our limited resources and reduce duplication of efforts. This is a different approach from many of our past partnerships, where we have not always taken such a collaborative approach in dealing with compliance challenges common to both IRS and the States.

Another component of the new agreement, which will further increase efficiency in the use of federal and State resources, involves a plan to establish a method for the sharing of leads for possible examination by the States. This approach will leverage our ability to identify those involved in these schemes, and take appropriate actions to bring these individuals into compliance with both the State and federal taxes they have chosen to avoid paying.

A final key element I would like to mention involves partnerships on outreach and education efforts. Informing the public about the dangers and the consequences of participating in these schemes is a vital aspect of our strategy. We recognize that in teaming together with the States in our counter-marketing efforts, we can reach the maximum audience and perhaps prevent others from being lured into these schemes and scams.

In closing, I want to emphasize that the States and the IRS are committed to the same thing: effective, fair tax administration. This initiative fosters that goal by proactively partnering to deal with those who choose to not participate in paying their fair share. For those honest people who file and pay their taxes, the establishment of this united compliance front by the IRS and the States against the growing problem of abusive schemes is good news. It's a smart, common sense approach and the latest in the government's ongoing efforts to ensure the fairness of the American tax system.

Now, I'd like to invite Steve Cordi, President of the Federation of Tax Administrators, and Deputy Comptroller for the state of Maryland to share his comments.