

August 28, 2009

The Honorable Michael Mundaca  
Acting Assistant Secretary (Tax Policy)  
Department of the Treasury  
1500 Pennsylvania Avenue, NW  
Washington, D.C. 20220

The Honorable Douglas H. Shulman  
Commissioner of Internal Revenue  
Internal Revenue Service  
1111 Constitution Avenue, NW  
Washington, DC 20224

The Honorable William J. Wilkins  
Chief Counsel  
Internal Revenue Service  
1111 Constitution Avenue, NW  
Washington, DC 20224

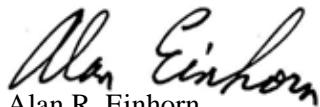
Dear Messrs. Mundaca, Shulman and Wilkins:

We believe the time is past due for civil tax penalty reform. In the twenty years since Congress enacted the Improved Penalty and Compliance Tax Act (IMPACT), there have been numerous legislative and administrative changes in the civil tax penalty regime that have negatively influenced the effectiveness of civil tax penalties as a means of encouraging voluntary compliance. We urge Congress, Treasury, and the Internal Revenue Service to work with taxpayers, practitioners, professional organizations and other stakeholders in developing a systematic and thoughtful approach to the reform of civil tax penalties and penalty administration. To that end, we are sending you the enclosed report. The enclosed report and a similar letter are also being sent to the chairmen and ranking members of the House Ways and Means Committee and the Senate Finance Committee today. While the report makes the general case for penalty reform, we anticipate providing more specific recommendations in a supplemental letter.

The American Institute of Certified Public Accountants is the national professional association of approximately 350,000 CPAs throughout the country. It is from this perspective that we submit the enclosed report to you.

If you would like to discuss this matter in more depth or have any questions, please contact me at [aeinhorn@deloitte.com](mailto:aeinhorn@deloitte.com), or (202) 879-4966; Rochelle L. Hodes, Chair, AICPA Penalty Reform Task Force, at [rochelle.hodes@us.pwc.com](mailto:rochelle.hodes@us.pwc.com) or (202) 312-7859; or Jean E. Trompeter, AICPA Technical Manager, at [jtrompeter@aicpa.org](mailto:jtrompeter@aicpa.org) or (202) 434-9219 .

Sincerely,



Alan R. Einhorn  
Chair, Tax Executive Committee

Enclosure

cc: Joshua Odintz, Acting Tax Legislative Counsel