

United States Senate

WASHINGTON, DC 20510

January 14, 2011

Harley G. Lappin
Director, Federal Bureau of Prisons
U.S. Department of Justice
320 First Street, NW, Room 642
Washington, DC 20534

Douglas H. Shulman
Commissioner, Internal Revenue Service
U.S. Department of the Treasury
1111 Constitution Avenue, NW, Room 3241
Washington, DC 20224

Director Lappin and Commissioner Shulman:

We write today with great concern over information contained in the recent report issued by the Treasury Inspector General for Tax Administration (TIGTA), *Significant Problems Still Exist with Internal Revenue Service Efforts to Identify Prisoner Tax Refund Fraud* (Reference Number: 2011-40-009).

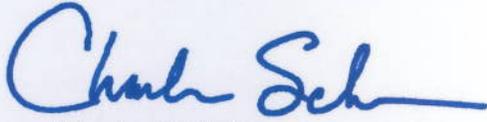
As you know, according to the report, the number of fraudulent prisoner tax returns identified jumped from 18,103 in 2004 to 44,944 in 2009. This amounts to a monetary equivalent of fraudulent refund claims quadrupling, from \$68 million in 2004 to \$295 million in 2009, of which some \$123 million was actually refunded. Even more troubling are the findings in the TIGTA report suggesting these numbers fail to identify the extent of prisoner tax fraud adequately.

Congressional action resulting with the Inmate Tax Fraud Prevention Act of 2008 (Public Law 110-428) and a portion of the Homebuyer Assistance and Improvement Act of 2010 (Public Law 111-198) sought to address this growing problem by providing the authority necessary to share prisoner information between your two agencies to prevent the filing of false and fraudulent tax returns. Nonetheless, the TIGTA report asserts that the progress on developing a memorandum of understanding on the sharing of this information has stalled due to conflicts over the concern of the redisclosure of tax information to prisoners and/or a prisoner's legal counsel. However, the Inmate Tax Fraud Prevention Act of 2008 explicitly restricts the redisclosure of tax information by the Federal Bureau of Prisons to anyone who is not an employee.

Unfortunately, the authority afforded to your agencies by Congress to disclose prisoners' tax information is set to expire at the end of this year. Such inaction would not only cost the American taxpayer millions of dollars, but also provide felons additional resources to fund other illegal activity within our prison system. We believe that you will both agree that such a result is absolutely unacceptable. Therefore, we ask that you make this matter a top priority of both your agencies in the coming days and over the course of this year to meet the established deadline.

Thank you for your prompt attention to this matter. We look forward to your response.

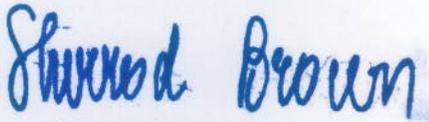
Sincerely,



Charles E. Schumer
United States Senator



Bill Nelson
United States Senator



Sherrod Brown
United States Senator



Amy Klobuchar
United States Senator

Cc: Attorney General Eric H. Holder, Department of Justice;
Secretary Tim Geithner, Department of Treasury