

June 6, 2016

Chairwoman Karen E. Spilka
Senate Committee on Ways & Means
State House, Room, 212
Boston, MA 02133

Senator Sal N. DiDomenico
Vice-Chair, Senate Committee on Ways
& Means
State House, Room 208
Boston, MA 02133

Senator Viriato M. deMacedo
Member, Senate Committee on
Ways & Means
State House, Room 313-A
Boston, MA 02133

Chairman Brian A. Dempsey
House Committee on Ways & Means
State House, Room 243
Boston, MA 02133

Representative Stephen Kulik
Vice-Chair, House Committee on Ways
& Means
State House, Room 238
Boston, MA 02133

Representative Todd M. Smola
Member, House Committee on Ways &
Means
State House, Room 124
Boston, MA 02133

Dear Honorable Conferees:

Thank you for your work on the Fiscal Year 2017 budget and for your commitment to swiftly reconciling the differences between the House and Senate proposals. As you begin your deliberations, we respectfully request that you omit, in Section 1B, line-item 0910-0281 and Sections 8, 181 and 182 of **Senate bill 2305**, which would allow for the establishment, funding, and subsequent review and reporting requirements of a tax expenditure review unit in the Office of the Inspector General. As organizations that represent thousands of Massachusetts taxpayers, we strongly oppose this proposal.

Section 8 of **Senate bill 2305** would extend access to tax return information to the Office of the Inspector General through the creation of a tax expenditure review unit to “examine and evaluate the administration, effectiveness and fiscal impact of tax expenditures.” While we appreciate the intent of the proposal and support the periodic review of tax expenditures as a measure of transparency and accountability, we are concerned that the broad access to tax returns and related information granted to the Inspector General’s office under this proposal would undermine taxpayer privacy and erode confidence in our tax system.

Because our tax laws are inherently complex, every state has a dedicated agency of experts and specialists to ensure compliance and implementation of our tax laws. As such, the Massachusetts Department of Revenue (DOR) is the only state entity that is allowed broad access to confidential tax information and is the only agency that is equipped with the tools necessary to keep the information private. The Department has spent millions of dollars on software that tracks every instance of employee access of taxpayer information to ensure that no such information is ever accessed except when there is a legitimate and documented business reason to do so. The DOR has a specific code of conduct, holds trainings and has integrated the principle of taxpayer confidentiality into their organization’s culture. It would be difficult, and perhaps impossible to replicate these privacy protections in an entity outside the DOR.

Treating tax returns as confidential documents and protecting taxpayer information is critical to the Commonwealth’s voluntary tax system. Expanding broad access beyond the Department of Revenue

could directly or indirectly expose private taxpayer information and diminish trust in the tax system. Protecting this information is a practice that is consistent throughout federal and state laws and procedures, and is a philosophy that is supported by the courts.

In fact, the United States Court of Appeals for the First Circuit explained that “without clear taxpayer understanding that the government takes the strongest precautions to keep tax information confidential, taxpayers’ confidence in the federal tax system might erode, with harmful consequences for a tax system that depends heavily on voluntary compliance” (Aronson v. IRS, 973 F2d 962, 966 (1st Cir. 1992)). The message is the same for the Commonwealth: adopting this provision will weaken taxpayer confidence in the system and ultimately have a chilling effect on compliance.

It is important to note that although there are exceptions in state and federal law regarding access to tax return information, this proposal separates itself from those occurrences in the broad scope of information that could be accessed by the Inspector General’s office. Most exemptions allow limited access to specific information contained in a tax return. For example, some agencies are granted limited access to check whether a recipient of public assistance has received interest payments from a bank or to evaluate income to determine child support payments.

As you consider the priorities of the conference committee and work to craft a final Fiscal Year 2017 budget, we respectfully request that you maintain our state’s critical taxpayer protection practices by omitting the language proposed in Sections 8, 181 and 182 and the funding allocated in Section 1B, line-item 0910-0281 of the Senate’s budget proposal from the final conference committee report. If you have any questions or concerns, please do not hesitate to contact us.

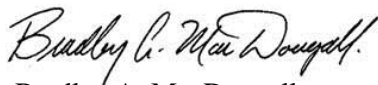
Sincerely,



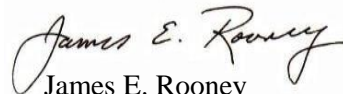
Amy A. Pitter
President & CEO
Massachusetts Society of CPAs



Eileen P. McAnnery
President
Massachusetts Taxpayers Foundation



Bradley A. MacDougall
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