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RE: Current Events Memorandum Tax Shelter Penalties

In a letter to House Ways and Means Committee member John Lewis, Commissioner Shulman said that the IRS will not collect the Section 6707A tax shelter penalty through September 30 on transactions that have annual tax benefits of less than \$100,000 for individuals and \$200,000 for other taxpayers. In the meantime, the IRS hopes that legislation will remedy the disproportionate application of this penalty which can be especially harsh--\$10,000 for a reportable transaction and \$100,000 for a listed transaction for individuals and \$50,000 and \$200,000 for other taxpayers. The penalty could even apply when a taxpayer first reports a transaction on a return or in a filing with the Office of Tax Shelter Analysis, but not in both places as required—here the taxpayer could have attempted to comply but would ultimately get the same penalty as a taxpayer who had intentionally not disclosed the transaction.