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REMARKS BY PRESIDENT WILLIAM JEFFERSON CLINTON
REDUCING BURDENS ON SMALL BUSINESSES
TREASURY DEPARTMENT
JUNE 9, 1995

[Acknowledgements: Paul Condit, introduction; Vice President Gore; Secretary Rubin; Commissioner Chater; Commissioner Richardson; Deputy Secretary Glynn, and friends.]

I want to thank Paul Condit for his vivid explanation of the problem faced by so many small businesses. I'm sure he'd like to take one of his John Deere tractors and just plow all the unnecessary paperwork away. But, his tractors were built for farming, not for clearing away excess paperwork. The government created his problem, and it's up to the government to solve it.

I ran for President because I wanted to make government work better for the American people. I believe we need a government that shrinks bureaucracy and increases opportunity. One that empowers people to make the most of their own lives. And one that enhances security at home and abroad.

The key to our future is to create more opportunity, but also to have all of us assume more responsibility. That's what all of you are doing. Business is the engine that powers the American Dream. And small business is truly the backbone of our economy. Small businesses employ more than 60 percent of our people, and create more than half of what we sell. So, we owe it to you to make sure government is a partner, not an impediment.

That's why I created the National Performance Review and put Vice President Gore in charge. For the past two years, he and his team have made remarkable progress in improving the way government serves the American people. We have dramatically reduced the size of government. We've already eliminated more than 100,000 positions. And we're well on our way to reducing government by a total of more than 270,000 positions, bringing it to its smallest size since John Kennedy was President. We have cut bureaucracy and red tape. We have streamlined and consolidated services. A few weeks ago, I signed the Paperwork Reduction Act to ease the paperwork burden throughout the Federal government. But, we must do more, especially for businesses.

On Monday, we will focus the nation's attention on the needs of small businesses when I convene the 1995 White House Conference on Small Business. This will be only the third conference since our nation was founded, and the last one of the 20th century. A healthy business community is the key to our success in the new global economy. We must do all we can to keep you strong.

That's why we're here today. Paul Condit is not alone. We continually hear from businesses about the cost of complying with government rules. For years, small and big businesses have been telling Washington to "get real" about the absurd, frustrating, and costly paperwork burdens that have been placed on you. You've been sending the same wage and tax information to a number of different government agencies so they could each have their own special report. It has been very convenient for the government. Now it's government's turn to be convenient for business owners.

I have asked the Department of Treasury, specifically IRS, and the Department of Labor, along with the Social Security Administration to form a partnership to cut through this mountain of paperwork. The Department of Treasury has taken the lead by spearheading the Simplified Tax and Wage Reporting System. As a result of their work, today we are announcing a plan that should lead to the elimination of the need to file W-2 data in multiple places. You will only need to file once and you will have a single point of contact for customer service. This will save time. This will save hassle. This will save money -- almost $1 billion annually. When we free you from the burden of paperwork, you can do what you do best -- create jobs, opportunity, services and products for the American people.

In addition, I will be sending legislation to Congress that will remove the legal barriers that keep Federal and State agencies from working together in a common sense way to ease the paperwork burden on all taxpayers.

If you are like most taxpayers, you currently have to fill out both a Federal and a State income tax form. And depending on where you live and work, you might also have to do a city income tax form.

Most of the information on the state and city forms is a repeat of what's on the Federal form. So, with some teamwork and tax system modernization, the Federal government is going to create partnerships with state and city governments to eliminate the need for duplicate filings. Already, in 29 states, taxpayers can satisfy both their Federal and State personal income filing requirements with a single electronic transmission. More than 1.5 million returns were filed that way this year. Next year, 32 states are going to participate.

My Administration will clear away the barriers to full partnership with State and local governments for employment as well as personal tax information. We estimate that with participation by 20 percent of states in such a partnership, by the year 2000, we can reduce the burden to taxpayers by $1.5 billion and save the government millions of dollars in the process.

I invite governors and mayors across the nation to join us in having businesses and taxpayers file their information only once! This is the right way to fix government -- to redesign it to better serve citizens in partnership with states and cities.

This is the kind of service you should expect from a modernized tax system -- a system that is designed for your convenience. That is what government reinvention is all about -- making government work better and cost less for you.

I would now like for Treasury Secretary Rubin, Deputy Labor Secretary Glynn, SSA Commissioner Chater, and IRS Commissioner Richardson to come up and sign a pledge to work toward those goals.

[Rubin, Glynn, Chater, and Richardson sign the pledge]

And, now I'd like to ask Paul Condit, as small business owner and taxpayer, to sign as a witness.

[Paul Condit signs and stands with President for photo]
[END EVENT]

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[END EVENT]

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FedState Partnerships Make Taxation Less Taxing

The IRS and state taxing authorities are working together to reduce taxpayer burden, improve taxpayer service, and minimize tax administration costs. The goal is to eliminate duplicative tax requirements and to take advantage of economies of scale in tax administration wherever possible.

Successes

- *Joint Electronic Filing* — Through a FedState joint electronic filing program, taxpayers can satisfy both their federal and state filing requirements with a single electronic transmission. 29 states participated in joint electronic filing in 1995, with more than 1.5 million returns filed. The program will expand to 32 states in 1996.
- *Filing Assistance* — The IRS and state tax agencies have worked together to jointly distribute tax forms and provide taxpayer filing assistance.
- *Joint Outreach Programs* — The IRS is working with many states to jointly provide:
    - -- tax counseling for the elderly,
    - -- education for new businesses,
    - -- education for other targeted taxpayer groups,
    - -- tax practitioners' workshops, and
    - -- educational publications.

Barriers

- Further growth in FedState partnership programs is hampered because the IRS is currently barred from using appropriated funds to provide services to state agencies, even if the cost is reimbursed.
- Because of present disclosure laws, a joint electronic filer must file in duplicate any tax data that is required by both the IRS and the state; the IRS then must transmit the second set of data to the state.

Removing Barriers

- To enhance the growth of FedState partnerships, we are proposing legislation that would allow the IRS to use appropriated funds for FedState reimbursable projects and eliminate restrictions on the use of data that is common to both Federal and state tax returns.
- The legislation would serve as a model for states that need legislative changes to remove their barriers to growth in FedState partnerships. These proposals have been endorsed by the Federation of Tax Administrators representing all 50 states.

The Future

- Once the legal barriers are removed, the IRS and the states will be able to engage in countless new cooperative efforts that would make taxation less taxing by:
  - -- eliminating the requirement that taxpayers provide the same information to both the IRS and the state taxing authorities;
  - -- allowing taxpayers who make errors in their electronic returns to correct those errors by working with a single contact point for both Federal and state purposes;
  - -- offering "one-stop service" where taxpayers could call one location and receive answers to federal, state, and local tax questions;
  - -- allowing taxpayers to satisfy their tax obligations by entering into coordinated installment agreements with the IRS and state taxing agencies; and
  - -- paving the way for the development of a single federal/state income tax form.

- The cost of government will be greatly reduced through eliminating duplicative tax administration efforts and taking full advantage of available economies of scale.

Increased Revenue and Burden Reduction

- Preliminary Treasury estimates, assuming participation by 20 percent of the states, show a cumulative benefit by FY 2000 of:

  --$1.5 billion reduction in taxpayer burden, and
  --$315 million increase in revenues.

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Small Business and the Simplified Tax and Wage Reporting System

Vision

- o The two-fold goal is: reduce employers time and expense in filing returns and paying taxes while saving Federal and state operations costs.

- o This is a voluntary system that:

  - SIMPLIFIES LAWS, DEFINITIONS, AND PROCEDURES related to tax and wage reporting (worker classification, wage components, data definitions, employer identification numbers, filing procedures and periods, forms and formats)

  - ENABLES AN EMPLOYER TO FILE A SINGLE RETURN ELECTRONICALLY (the electronic commerce network will map the data into appropriate formats for sending to appropriate State and Federal agencies)

  - PROVIDES ENHANCED ASSISTANCE AND SERVICES TO EMPLOYERS FOR EASIER FILING (SSN number validation, assist employer registration, and employer technical assistance for filing information)

- o When fully implemented, it can save employers up to almost $1 billion annually in tax and wage reporting costs. Of the approximately 6.2 million employers in the United States, 60 percent have fewer than five employees; therefore, small businesses, in particular, will benefit noticeably from reduced burdens.

Guiding Principles

- o Employers, States and Federal Agencies agree to:

  - Maintain the separation between Federal and state governments
  - Build on existing systems/programs (emphasize compatibility)
  - Protect employee benefit programs
  - Not impose additional cost
  - Protect privacy of participants.

Initial Progress - "Paper W-2 Project"

- o Under current practices, large employers (over 250 employees) submit magnetic tape containing all employers W-2 data to the Social Security Administration (SSA) and to the states. Small employers submit paper W-2 forms.

o Under the "Paper W-2 Project" begun in 1994, small employers send paper W-2's to SSA. SSA scans the paper, turns the data over to IRS which, in turn, sends tapes to 29 participating states, compiling the employer data for each state (see attached). Illinois no longer requires employers to submit separate paper W-2 data; other states cand do this if they choose to.

Scope

This will simplify reporting of:

- Federal and state tax and wage information
- State Unemployment Insurance (UI) tax and wage information
- UI tax payments
- Employer registration

Other Benefits

o Some of the benefits of the project are:

1) simpler wage and tax reporting requirements for the business community;

2) reduced number of contacts employers have with governmental entities;

3) reduction in employers' reporting costs;

4) improved accuracy and timeliness of data received -- allowing Federal and state agencies to better administer programs;

5) reduced duplication of effort at Federal and state levels; and

6) more efficient and state-of-the-art system (reducing Federal and state operating costs).

What Can Be Accomplished In The Short Run?

Under the Treasury Department's leadership:

o In 1995, the "Paper W-2 Project," has been expanded to 29 states from 12 states in 1994. In 1996, it will be available nationwide

- In 1995, a prototype will be developed and by the end of 1996, employers will be able to submit all major reports (941, W-2 and state UI reports) electronically. Small employers in participating states will be able to begin taking advantage of existing networks to file electronically.

- In 1995, Department of the Treasury and the Department of Labor will complete a detailed analysis of the state and Federal Unemployment Insurance programs to simplify them and determine required legislation.

Background

- The Simplified Tax and Wage Reporting System will reduce red tape and costs to employers - especially small business - when they provide "W-2" tax and wage information.

- Through one-stop electronic filing, Federal and state governments will speak the same language, and businesses will spend less time filling out forms and more time creating jobs for Americans.

PAPER W-2 DEMONSTRATION PROJECT: LIST OF PARTICIPATING STATES
1995

1. ALABAMA
2. ARIZONA
3. CALIFORNIA
4. COLORADO
5. CONNECTICUT
6. DELAWARE
7. IDAHO
8. ILLINOIS
9. INDIANA
10. KENTUCKY
11. KANSAS
12. LOUISIANA
13. MAINE
14. MARYLAND
15. MASSACHUSETTS
16. MINNESOTA
17. MISSISSIPPI
18. MISSOURI
19. NEW JERSEY
20. NEW MEXICO
21. NEW YORK
22. NORTH CAROLINA
23. OHIO
24. OKLAHOMA
25. PENNSYLVANIA
26. SOUTH CAROLINA
27. UTAH
28. VIRGINIA
29. WISCONSIN

==============================

LIST OF STATES INTERESTED IN PARTICIPATING

1. MICHIGAN
2. NORTH DAKOTA
3. WEST VIRGINIA

Q & A FOR SIMPLIFIED TAX AND WAGE REPORTING SYSTEM (STAWRS)

WHAT IS STAWRS?

STAWRS is a joint project of the Department of Treasury, the Internal Revenue Service (IRS), the Social Security Administration (SSA), the Department of Labor (DOL), the Office of Management and Budget (OMB), and various State and private organizations. Vice-President Gore's National Performance Review recommended that Treasury assume responsibility for this project in recommendation TRE05, "Simplify Employer Wage Reporting." STAWRS is also part of the Re-Inventing Government (REGO) II proposals announced in June 1995.

We pronounce the name of the project as "STARS," keeping the "w" silent. The name of the project has changed over the past year from the "Wage Reporting Simplification Project" to STAWRS, but we plan to keep this new name because it captures the idea of reaching high for ambitious goals.

WHAT IS THE PURPOSE OF STAWRS?

The purpose of the project is to reduce the tax and wage reporting burden of employers through re-engineering current reporting processes. This project was begun in 1990 as a suggestion from the business community to IRS to help relieve the reporting burden. The two major goals of the project are to reduce employers' reporting burden for tax and wage data and to improve the efficiency and effectiveness of government operations.

In order to accomplish these goals, the three primary objectives of STAWRS are to 1) harmonize tax and wage codes--e.g., have tax jurisdictions use similar definitions of key terms: employee, employer, employment and wages; 2) develop single-stop electronic filing for tax and wage reporting--e.g., have employers and tax agencies use national electronic commerce networks; and 3) provide employer services for easier data submissions--e.g., have employers validate employee social security numbers via PCs or phones.

WHAT ARE THE EXPECTED BENEFITS OF STAWRS?

The MITRE Corporation estimates that STAWRS could save the federal agencies involved between $500 million to $1.5 billion (over 15 years) with a benefit to cost ratio ranging from 2.0 to 5.0 depending on the level of functionality chosen and implemented.

However, <u>most</u> of the STAWRS savings are to employers; these savings range from $1.6 billion to $13.5 billion (over 15 years). FTE estimates were not made as part of the MITRE study; costs were based on time savings through reporting efficiencies. However, electronic data interchange (EDI) and electronic filing technologies could substitute for paper filings, reducing the requirements for paper processing.

WHAT IS AN EXAMPLE OF HOW STAWRS MIGHT OPERATE?

As its first demonstration project, STAWRS successfully completed a Paper W-2 demonstration this past tax year. IRS Form W-2 summarizes employees' annual wages; this data is currently submitted by employers (with less than 250 employees) to both the Federal and State governments in paper form. Under this demonstration project, in 1994 12 states received this data in digital form through a joint effort of SSA and IRS. SSA scanned the paper returns, and then IRS separated the data by State and forwarded the data to State tax agencies. This project could eliminate the need for employers to file W-2 data with states. The project is being expanded in 1995 to a total of 29 states.

This project demonstrates how wage and tax data can be filed in one location and shared by other agencies, ultimately reducing the reporting burden for employers.

WHAT ELSE IS STAWRS DOING?

In addition, STAWRS is also developing a model wage legal code. Currently, different tax authorities use different legal definitions of terms such as "employee, employer, and wages." The purpose of this part of the project is to develop a model code that "harmonizes" the legal definitions of these Federal and State terms and develops a uniform calendar for filing dates.

By the end of FY 1995, STAWRS will have policy options for the next steps to be taken for simplifying employer tax and wage reporting.

WHAT IS STAWRS DOING IN ELECTRONIC FILING OF DATA?

STAWRS is developing "prototypes" of various employer reporting functions to test these services out on a limited basis and see how they work. In particular, STAWRS is developing electronic filing tests using electronic data interchange (EDI) technology. Many businesses are already trading data over EDI networks, so STAWRS will promote the filing of tax and wage data with Federal and State agencies by testing these processes with selected forms and agencies. Electronic filing is cost-effective for employers and agencies, and STAWRS is promoting the filing of various reports such as the IRS' quarterly withholding report, the 941 form, and the annual report of employee wages, the W-2 form, sent to SSA, and others.

WHAT KINDS OF PAYMENTS AND DOCUMENTS WOULD BE MANAGED THROUGH STAWRS AND WHICH AGENCIES WOULD BE INVOLVED? WHAT KIND OF SERVICES CAN BE EXPECTED TO RECEIVE FROM STAWRS?

At the Federal level, the agencies with employer reporting requirements involved in STAWRS are the IRS, SSA, and DOL. At the State level, both revenue and employment security agencies are participating.

An example of how STAWRS can operate right now is where 29 State revenue agencies are participating in the "Paper W-2 Project," a three-year effort involving IRS, SSA, and 29 States. This project was arranged through the Federation of Tax Administrators (FTA) and includes SSA scanning employers' paper returns for State data and creating a file tape. IRS receives the State data tape, separates the data, and distributes digital data to the 29 States which have signed memoranda of understanding (MOUs) with IRS on how to handle and use the data.

Ultimately, the objective is to eliminate the requirement that employers file W-2 data on paper to State agencies when the States can get the data they need in consolidated, digital form through SSA and IRS. Illinois has already eliminated the paper filing requirement for employers in that State, and we hope that other States will be able to do likewise in the near future.

Looking ahead, there is a wide range of services for employers that are being discussed through the STAWRS "working group." Primarily, STAWRS is promoting and encouraging agencies to develop several services such as SSA's employee social security number validation service, IRS' electronic forms available through the INTERNET, and States' combined employer enrollment for revenue and UI agencies (such as Pennsylvania has done). These are examples of services that benefit employers.

WHO IS SPONSORING THE DEVELOPMENT OF STAWRS?

STAWRS is a joint project of the Department of Treasury, the IRS, the Social Security Administration (SSA), the Department of Labor, the Office of Management and Budget (OMB), and various State and private organizations. At the last full "working group" meeting held in February, 1995, over 100 persons attended who represent Federal and State agencies as well as the employer community. Major representatives of the employer community include: the American Payroll Association and the American Society for Payroll Management.

Without the valuable input of the persons who must comply with the reporting requirements imposed on them by these government agencies, it would be impossible to know how best to redesign these reporting systems. Many people have mentioned at these working group meetings that if STAWRS has accomplished nothing else, it has provided a unique forum for these groups to discuss their common problems and seek common solutions. Of course, we hope that STAWRS will accomplish a good deal more than just productive discussions, but these meetings have been critical for helping to develop the priorities for improving tax and wage reporting.

WOULD ALL STATES AND ALL TAX AUTHORITIES BE REQUIRED TO PARTICIPATE--AND REQUIRED BY WHO?

STAWRS is built on the premise of voluntary participation by the parties involved. One of the major aspects of STAWRS is to develop cost/benefit studies of the various services that are being developed in order to know which ones provide the greatest benefit to employers and the governments. The development of these services will depend, in large part, on the kind of evidence that is produced about the benefits derived from new approaches to tax and wage reporting and the services being proposed for employers. Any efforts to improve the system will assess first the advantages of new approaches before any recommendations for adoption by agencies will be made.

WOULD STAWRS SET UP A NEW LAYER OF BUREAUCRACY?

We are not creating another agency that will try to duplicate the existing tax and wage reporting systems. STAWRS is trying to simplify and facilitate the exchange of information between employers and agencies, not slow down or impede the current reporting arrangements. Through electronic filing, we think that it will be possible for employers to file similar or same data at one time with multiple agencies. Therefore, we are working toward a single-filing electronic environment, using national electronic commerce networks, but the data will still be distributed in a timely manner to the existing agencies that require it. In regard to the range of "determinations" about employers, STAWRS is not going to come between employers and the agencies making those decisions.

ASSUMING STAWRS GETS UP AND RUNNING, WHAT ENTITY WOULD ANSWER SPECIFIC QUESTIONS ABOUT VARIOUS FILINGS.

At the present time, no determinations have been made about which entities would be providing which services or functions. We are looking into this matter, but it will be resolved only after some prototype and pilot efforts have been completed and recommendations made about which agencies are best positioned strategically to provide these kinds of services. Right now, we think that there are multiple agencies which could be considered for providing some of the services that are being proposed. Obviously, this situation will require careful coordination among the parties involved, but with current telecommunication and computing capabilities, we think that many agencies can work together to provide quality services to employers.

WHAT KIND OF SUPPORT HAS STAWRS RECEIVED FROM THE ADMINISTRATION AND FROM CONGRESS?

The White House endorsed STAWRS on June 9, 1995 as part of the second round of re-inventing government initiatives (called REGO II). In addition, STAWRS was endorsed by Vice-President Gore's first "re-inventing government" report in 1993. Furthermore, STAWRS has broad support among the Federal agencies involved, IRS, SSA, DOL, OMB, and Treasury. Each agency is contributing either personnel, budgetary support, or both to the project. In addition, some congressional offices have been briefed on the project and offered support for what STAWRS is trying to accomplish. However, of equal importance, is the fact that many State agencies are also supporting STAWRS because they too have a significant stake in the success of this effort.

HOW WOULD STAWRS BE FUNDED ASSUMING IT GETS UP AND RUNNING?

STAWRS is currently funded through the IRS' Tax Systems Modernization program. However, once the prototypes have been fielded and tested, cost sharing arrangements among the agencies involved will be addressed. Until questions about the feasibility of various services are tested, we will not know how to estimate how costs could be determined.

WHAT OPPORTUNITY WOULD EMPLOYERS HAVE TO COMMENT ON STAWRS AND TO HELP RESOLVE PROBLEMS ONCE IT IS UP AND RUNNING?

At every step in the development of STAWRS, the employer community has been involved. Employer input has been continuously sought through open working group meetings, focus groups targeting on small employer needs, and site visits to gather data from employer operations in meeting current reporting requirements. At the present time, all documents produced on the project have gone through an extensive review process, where Federal and State agencies and employer representatives have had a chance to read draft proposals and comment on them.

In the future, a structured approach to getting feedback from employers is being developed to get comments on services being provided or planned through STAWRS Executive Steering Committee, a body chaired by Treasury with 2 senior officials each from IRS, SSA, and DOL.

HOW PEOPLE FIND OUT ABOUT THIS PROJECT?

STAWRS does distribute information about the project to any person or organization that requests it. The STAWRS number is 1-800-4-STAWRS (1-800-478-2977); the mailing address is STAWRS-ATC, Internal Revenue Service, 1111 Constitution Ave., NW, Washington, DC 20224. We are eager to help anyone understand what STAWRS has accomplished and what it plans to achieve in the future.

Debt Management In The Federal Government

Our Vision

The program has a very clear vision: **to protect the financial interests of the American taxpayer; and to treat delinquent debtors fairly while collecting what is rightfully due.**

Background

- In September 1993, the National Performance Review Report highlighted the need to strengthen how the Government collects its delinquent debt. The report noted three issues: (1) Federal agencies did not have the resources to invest in debt collection, (2) their mission did not include debt collection, and (3) they faced too many restrictions in using the available tools.

- On March 22, 1995 the President's Council on Integrity and Efficiency, which is composed of the Inspectors General, reported on the need for a Government-wide system of offset and agency gainsharing. In 1993, as reported to Congress in the Administration's Financial Management Status Report and Five Year Plan, the amount of past due non-tax debt was $44 billion -- or 19% of the total debt. In 1994, the amount of past due Federal non-tax debt has increased to almost $50 billion -- or 21% of the total debt. This means that one in five non-tax dollars owed us is not being repaid us in a timely fashion.

- When past due Federal income taxes are added, the total past due jumps to $107 billion in 1993, and to $117 billion in 1994. The projected amount for 1995 is $125 billion.

- Since September 1993, Department of the Treasury officials have talked to over 800 Federal employees involved in collecting delinquent debt about the barriers they face in doing their jobs effectively and about ways to remove those barriers. Overwhelmingly, they support initiatives which will improve their ability to share information with each other, to standardize and centralize debt management functions, and to strengthen debt collection regulations.

- Consequently, as a follow-on to the NPR report and the work of Treasury Department and agency officials, an expanded program is being created to strengthen and enhance debt collection within the Federal Government.

Our Goals

Our goals are simple:

- reduce our losses;
- treat our debtors fairly and consistently;
- maximize the amount we collect and minimize our costs to collect;
- ensure that the public knows what we are doing and of their obligation to repay Government debts;
- avoid needless lawsuits;
- ensure that our employees are properly trained to do their jobs; and
- use private sector resources.

Every Federal agency has the responsibility to: (1) implement effective debt collection programs; (2) streamline debt collection processes; (3) be able to share information; and (4) use modern business practices and technology.

Successes

- *Debt Collection Centers* -- The following agencies currently have debt collection centers -- the Small Business Administration and the Departments of Veterans Affairs, Education, Housing and Urban Development and Treasury.

- *Tax Refund Offset Program* -- Treasury has collected over $4 billion in delinquent debt through the offset of Federal tax refunds.

Barriers

- Debt collection is not a priority in Federal agencies.

- There is no centralized program to offset Federal payments (non-tax) for delinquent Federal debt.

The Legislative Proposal

We are sending legislation to the Hill to support this program. The legislative proposal:

- protects the rights of the debtor, and provides notice and due process, before the debt is collected;

- enhances our ability to collect from those people who owe money to the Federal Government;

- provides a mechanism for the Government to stop paying people who are past due on amounts they owe the Government;

- expands the authority for Federal agencies to service and collect debts for each other, so that agencies do not duplicate collection programs;

- allows more Federal agencies to use private debt collectors;

- expands the use of private attorneys to help collect Federal debts; and

- streamlines the judicial foreclosure system.

Anticipated Benefits -- One Year From Now

This proposed legislation will provide the following benefits:

- Increased revenue of $.9 billion to $1.1 billion over five years.

- Reduction of the Federal deficit.

- Reduced delinquencies.

- Debt referred to debt collection centers by program agencies.

- Less restrictions for agencies using contractors to participate in the Treasury Offset Program.

- Consistent and fair treatment of delinquent debtors.

- Dividends will be given to Federal agencies doing a good job of debt collection.

Who are the stakeholders?

- Federal program agencies

- Federal Credit Policy Working Group

- Treasury -- Financial Management Service and Internal Revenue Service

Our Commitment

This new program demonstrates our commitment to changing the way the Government does business and protecting the interest of the American taxpayer. Most debts in the private sector -- 95% -- are paid on time; only 1 or 2% ever become seriously past due and require enforcement action to collect. The Federal Government cares about collecting its debts and is going to take serious steps to ensure that we are repaid in a timely manner. We owe it to the people who work hard to pay their debts on time.

June 6, 1995

DEPARTMENT OF THE TREASURY
INTERNAL REVENUE SERVICE
WASHINGTON, D.C. 20224

CHIEF MANAGEMENT
AND ADMINISTRATION

APR 11 1995

MEMORANDUM FOR LESLIE B. SAMUELS
ASSISTANT SECRETARY (TAX POLICY)

FROM: David A. Mader
Chief Management and Administration

SUBJECT: IRS Proposal for Joint Federal/State Tax Agreements

On January 10, the Commissioner forwarded for your consideration a package of legislative proposals with the theme of reducing taxpayer burden and increasing administrative efficiency. Included in that package was a proposal to enhance cooperative agreements with state tax authorities. As you may be aware, both the Treasury Department and OMB consider expansion of these cooperative agreements as an important vehicle to successfully meeting the goals of the National Performance Review II (NPRII).

During subsequent conversations with your staff, it was suggested that the Congress may use H.R. 3419, introduced in the 103rd Congress, as a starting point for a new simplification bill and, therefore, that the IRS should consider what amendments it needs to the cooperative agreements provision in that bill. While we would prefer the proposal in our January 10 memorandum because it addresses several additional issues, we are providing another proposal that describes the changes we would like to have made to the provision in H.R. 3419, should that provision be reintroduced.

This additional proposal recommends three changes to the H.R. 3419 provision:

1. Making sure that the legislation introduced provides for joint tax administration agreements that include those relating to Federal income taxes as well as other taxes;

2. Section 6103 of the Internal Revenue Code of 1986 (the "Code") is to be amended to ensure that common data filed with the IRS under a joint filing program to meet both state and federal tax requirements is not classified as federal tax information pursuant to such section; and

3. Section 7431 of the Code is to be amended to provide that state employees performing federal work under a joint tax agreement be accorded the same protections from taxpayer civil suits as federal employees, and be subject to the same criminal sanctions as federal employees.

Once your staff has had the opportunity to review this proposal, we would like to explore our options and potential legislative vehicles with them. A copy of both proposals is attached.

Attachments (2)

COOPERATIVE AGREEMENTS

PROPOSAL

- If legislation is reintroduced in this Congress, and such legislation is similar to that contained in H.R. 3419 introduced in the last Congress, the following three changes are recommended:

    1. Any restriction limiting potential joint collection activities to taxes other than income taxes be eliminated. Any such restriction must be eliminated so that we may explore activities such as joint installment agreements.

    2. Section 6103 of the Internal Revenue Code of 1986 (the "Code) be amended to ensure that common data filed with the IRS under a federal-state joint filing program to meet both state and federal tax requirements is not classified as federal tax information pursuant to such section. This amendment will allow states to use common federal-state data received from the IRS under a joint filing program consistent with state confidentiality laws.

    3. Conforming amendments to section 7431 of the Code as well as language in the legislative history be added to provide that state employees performing federal work pursuant to a joint collection agreement receive the same protection as federal employees from civil taxpayer lawsuits for the knowing, reckless, or negligent disclosure of returns or return information. In addition, such state employees should also be subject to the same criminal sanctions as federal employees.

PRESENT LAW

- Under current law, the IRS is generally not authorized to use funds appropriated for federal tax administration to provide services to non-federal agencies even if the cost is reimbursed (62 Comp. Gen 323,335 (1983)). In addition, under current law, the IRS is limited in its ability to enter into effective federal-state joint return filing projects due to the disclosure restrictions of section 6103 of the Code.

REASONS FOR CHANGE

- H.R. 3419 had provided that the Internal Revenue Service be allowed to use funds appropriated for federal tax administration on joint reimbursable projects with the states. The proposal also allowed for a number of possible cooperative efforts such as the joint collection of taxes.

- The IRS' Strategic Business Plan lists greater fed/state cooperation as important to the future of the IRS because it allows for greater efficiencies in the use of tax administration resources. However, section 821, Cooperative Agreements, of H.R. 3419 included a parenthetical that should have been eliminated because of the restrictions it would have imposed on IRS plans for greater federal and state cooperation. The parenthetical would have restricted joint collection activities to taxes "other than federal income taxes." This restriction would limit joint collection activity to excise or unemployment taxes which are only a portion of all collection accounts.

- Data common to both federal and state tax returns which are processed by IRS under a joint filing program is protected by section 6103 of the Code, even though it would not be so protected if the state gathered the data directly from its citizens. A literal application of section 6103 of the Code will, therefore, inadvertently restrict the use states can make of their own tax information which is processed by the IRS under joint federal-state filing programs. A technical change is needed to amend section 6103 of the Code to ensure that information filed with the IRS under a federal-state joint filing program to meet both state and Federal tax requirements is not classified as federal tax information under section 6103 of the Code. This will allow states to use common Federal-state data received from the IRS under a joint filing program consistent with state tax confidentiality laws.

- Currently, the IRS has a pilot project with a number of states to allow taxpayers to file both their federal and state returns electronically with the IRS. Without amending section 6103 of the Code, the IRS must act as a conduit for state tax information in this joint filing program by requiring electronic filers to duplicate tax data required by the state, even though it may be the same as federal information. The IRS then strips the state data off onto another tape and sends it to the state. Such duplication increases costs for everyone.

- Changes to section 7431 of the Code are deemed necessary in order to afford protection to state employees who, under a joint collection agreement, perform federal work. Such employees should be afforded the same protections from taxpayer civil suits as are federal workers performing the same work. Conversely, while being afforded the same protections as federal workers, state employees performing federal work should also be subject to the same criminal sanctions as federal employees who are similarly situated.

SUGGESTED STATUTORY LANGUAGE

Based upon the statutory language of H.R. 3419, the following statutory language changes are suggested:

- (1) Section 821(a) of H.R. 3419 is amended by striking the parenthetical in proposed section 7524(a)(3) following the phrase "joint collection of taxes".

- (2) Section 6103(d) is amended by adding at the end thereof a new paragraph (5) as follows:

(5) **Information obtained pursuant to joint tax return filing program:** Notwithstanding paragraphs(1) and (2) of subsection (b), the terms "return" and "return information" shall not include common data obtained by any State agency, body or commission pursuant to a joint tax return filing program entered into under section [section of Title 26 adding the joint filing program]. However, such common data is subject to subsection (p)(8) of this section. For purposes of this paragraph, "common data" means any item of information that is required by both Federal and State law to be attached to or included on the respective Federal and State tax returns.

(3) Section 7431(a)(1) is amended by adding after "If any officer or employee of the United States" the language "or any state employee who is authorized to administer Federal tax laws pursuant to an agreement authorized by section 7524.

Terri Bearman
M:L
March 28, 1995

1. FED/STATE COOPERATIVE AGREEMENTS

PROPOSAL

Enact a new section of the IRC to allow the Secretary and state tax authorities to enter into tax administration agreements. Each agency could pay each other for services rendered, either on a per service basis or on a percentage of funds collected.

Conforming amendments are needed to (1) amend IRC section 6103 (Disclosure provisions), (2) to facilitate the sharing of information to work these agreements, (3) to amend IRC section 6402 to permit agreements to offset federal refunds to pay state liabilities, and (4) to clarify that state employees performing federal work are subject to the same requirements as federal employees.

PRESENT LAW

Current interaction between Federal and State taxing agencies is generally limited to exchanges of information (tape matches, sharing of examination results etc.) and joint education efforts. Others exchanges are not possible under present law. Under law, there is no appropriation authority to perform work for each other or to pay each other for that work.

REASONS FOR CHANGE

The purpose of this legislation is to reduce the burden on the public as well as on tax agencies, to improve the efficiency of tax administration at all levels by better utilizing available resources, and to increase the collection of delinquent federal and state taxes.

EFFECT OF PROPOSAL

This proposal has the potential for significant cost savings, burden reduction, and would also provide the means by which we can support the goals of the National Performance Review and move towards reinventing government.

PRIOR CONSIDERATION

Previously, a less comprehensive provision regarding the use of cooperative agreements with state tax authorities was included in section 821 of H.R. 3419, the Tax Simplification and Technical Corrections Act of 1994 that was passed by the House on May 17, 1994, but not considered by the Senate.

SUGGESTED STATUTORY LANGUAGE

Subtitle C--Authority for Certain Cooperative Agreements

SEC. 821 COOPERATIVE AGREEMENT WITH STATE TAX AUTHORITIES.

(a) IN GENERAL.--Chapter 77 of Subtitle F (relating to miscellaneous provisions) is amended by adding the existing provisions thereof to a new Subchapter A and by inserting after new Subchapter A the following new subchapter:

"Subchapter B--Joint Collection and Administration Of Taxes

Sec. 7524. Tax administration agreements.
Sec. 7525. Regulations.

"SEC. 7524. TAX ADMINISTRATION AGREEMENTS.

"(a) GENERAL.--The Secretary is hereby authorized to enter into tax administration agreements with any State agency, body, or commission described in section 6103(d)(1). For the purpose of implementing an agreement, the Secretary is authorized to permit officers and employees of such State agency, body, or commission to exercise powers relating to the administration and enforcement of this title if the officers and employees are under the general supervision of the Secretary. Any determination by officers and employees of a State, acting pursuant to such an agreement, shall be prima facie good and sufficient for all legal purposes.

"(b) TAX ADMINISTRATION AGREEMENT DEFINED-- A tax administration agreement is a written agreement for the joint or reciprocal exercise of tax administration powers that is entered into between the Secretary and a State agency, body, or commission described in section 6103(d)(1). Each Federal or State tax administration power to be exercised pursuant to a tax administration agreement shall be performed in accordance with the terms of the agreement to the extent such terms do not conflict with the Federal or State laws that otherwise authorize the respective tax administration function. Such agreements may provide for joint or reciprocal administration of the following tax functions:

"(1) filing of Federal and State tax returns,

"(2) processing of returns and return information.

"(3) collection of taxes (including but not limited to Federal and/or State income taxes),

"(4) processing of payments received from taxpayers,

"(5) sharing of administrative resources,

"(6) audits and reviews, and

"(7) such other provisions as may enhance joint tax administration.

"(c) JUDICIAL PROCEEDINGS.--

"(1) REVIEW BY THE UNITED STATES COURTS.-- Nothing in this subchapter shall give any court of the United States any additional jurisdiction nor diminish its jurisdiction.

"(2) PROHIBITION OF REVIEW BY THE STATE COURTS.-- No court or other tribunal of any State that is a party to a tax administration agreement entered into pursuant to this subchapter shall have jurisdiction to hear any action, legal or equitable, with respect to any internal revenue tax of the United States that is the subject of such agreement. Nor shall any such court or tribunal acquire jurisdiction over an individual who exercises federal tax administration powers pursuant to a tax administration agreement for actions relating to the exercise of those powers.

"(d) PAYMENT FOR SERVICES.– The Secretary is authorized to pay reasonable compensation on a per-service basis or on the basis of a percentage of the amount collected for activities conducted by a State pursuant to an agreement entered into pursuant to subsection (a). The Secretary is authorized to collect fees and reimbursements for activities conducted by the United States pursuant to an agreement entered into pursuant to subsection (a).

"(e) AVAILABILITY OF FUNDS.-- Any funds appropriated for purposes of the administration of this title shall be available for purposes of carrying out the Secretary's responsibilities under an agreement entered into under subsection (a) or (b). Any fees and reimbursements received pursuant to such an agreement shall be credited to the amounts so appropriated and shall remain available to the Internal Revenue Service until expended to supplement appropriations made available to the appropriations accounts in the fiscal year during which this provision is enacted and all fiscal years thereafter.

"(f) TAX TREATIES AND OTHER INTERNATIONAL AGREEMENTS.--To the extent the provisions of this subchapter or an agreement entered into pursuant to this subchapter may conflict with the terms of any tax treaty, or other international agreement of the United States containing provisions relating to taxation or the administration of tax laws, the terms of the treaty or international agreement will control.

"(g) TERMINATION OF AGREEMENT.--Notwithstanding the terms of the agreement, the Secretary retains the right to rescind or terminate any agreement entered into under the authority of this subchapter.

"(h) EMPLOYEE STATUS.--Federal Employees acting pursuant to an agreement entered into pursuant to this subchapter shall be deemed to remain federal employees.

"SEC. 7525. REGULATIONS.

"The Secretary or his delegate shall prescribe such regulations under this title as may be necessary or appropriate to implement agreements authorized by section 7524."

(b) CONFORMING AMENDMENTS.--

(1) Section 6103(d)(1) is amended by striking the present section and inserting the following:

"(1)(A) IN GENERAL.--Returns and return information with respect to taxes imposed by chapters 1, 2, 6, 11, 12, 21, 23, 24, 31, 32, 44, 51, 52, and subchapter D of chapter 36, shall be open to inspection by, or disclosure to, any State agency, body, or commission, or its legal representative, which is charged under the laws of such State with the responsibility for the administration of State tax laws for the purpose of, and only to the extent necessary in:

(i) the administration of such laws, including any procedures with respect to locating any person who may be entitled to a refund; or

(ii) the administration of Federal tax laws pursuant to a tax administration agreement entered into between such agency, body or commission and the Secretary under section 7524.

(B) WRITTEN REQUEST BY AGENCY HEAD REQUIRED FOR DISCLOSURE.--The inspection of returns and return information under this paragraph shall be permitted, or disclosure of such returns and return information made, only upon written request by the head of such agency, body, or commission, and only to the representatives of such agency, body, or commission designated in such written request as the individuals who are to inspect or receive the returns or return information on behalf of such agency, body, or commission.

(C) PERMISSIBLE RECIPIENTS.--The representatives of such agency, body, or commission to whom disclosure is permitted under this paragraph shall include only employees or legal representatives of such agency, body, or commission, or a person described in subsection (n) of this section. However, notwithstanding the foregoing, disclosure shall not be permitted to any individual who is the chief executive officer of such State.

(D) CONFIDENTIAL INFORMANTS; IMPAIRMENT OF INVESTIGATIONS.--Return information shall not be disclosed under this paragraph to the extent that the Secretary determines that such disclosure would identify a confidential informant or seriously impair any civil or criminal tax investigation."

(2) Section 6103(d) is amended by adding at the end thereof a new paragraph (5) as follows:

"(5) INFORMATION OBTAINED PURSUANT TO JOINT TAX RETURN FILING PROGRAM.— Notwithstanding paragraphs (1) and (2) of subsection (b), the terms "return" and "return information" shall not include common data obtained by any State agency, body or commission pursuant to a joint tax return filing program entered into under section 7524. However, such common data is subject to subsection (p)(8) of this section. For purposes of this paragraph, "common data" means any item of information that is required by both Federal and State law to be attached to or included on the respective Federal and State tax returns."

(3) Section 6103(p)(3)(A) is amended by inserting "(d)," after "subsections (c),".

(4) Section 6103(p)(3)(C)(i) is amended by striking "(d),".

(5) Section 6402 is amended by adding at the end thereof the following new subsection:

"(j) COLLECTION OF STATE TAX LIABILITIES.—The Secretary is authorized to prescribe regulations providing for the credit or refund of an overpayment of the tax of any State that is a party to an agreement entered into pursuant to subchapter B of chapter 77. The regulations prescribed under this subsection may provide for the reduction of the overpayment of any State tax or tax imposed by this title by the amount of any liability in respect to a State tax or a tax imposed by this title. The amount of any overpayment of tax imposed by this title to be applied to a tax of a State shall be first reduced by any reduction authorized by subsections (c) and (d)."

(6) Section 7431(a)(1) is amended by adding after "If any officer or employee of the United States" the language "or any state employee who is authorized to administer Federal tax laws pursuant to an agreement authorized by section 7524,".

(7) Section 7432(a) is amended by adding after "If any officer or employee of the Internal Revenue Service" the language ", or any state employee who is authorized to release liens under section 6325 pursuant to an agreement authorized by section 7524,".

(8) Section 7433(a) is amended by adding after "If, in connection with any collection of Federal Tax with respect to a taxpayer, any officer or employee of the Internal Revenue Service" the language ", or any state employee who is authorized to collect Federal taxes pursuant to an agreement authorized by section 7524,".

(9) Section 7212(a) is amended by adding after "any officer or employee of the United States" in both places it appears the language ", or any state employee who is authorized to administer Federal tax laws pursuant to an agreement authorized by section 7524,".

(10) Section 7214(a) is amended by adding after "Any officer or employee of the United States" the language ",or any state employee who is authorized to administer Federal tax laws pursuant to an agreement authorized by section 7524,".

(11) Section 7214(b) is amended by adding after "Any internal revenue officer or employee" the language ",or any state employee who is authorized to administer Federal tax laws pursuant to an agreement authorized by section 7524,".

(c) CLERICAL AMENDMENT.– The table of sections for Chapter 77 is amended by adding before the items presently included therein the following new heading:

"Subchapter A--Miscellaneous Provisions"

and by including after the items presently included therein the following:

"Subchapter B--Joint Collection and Administration Of Taxes

"Sec. 7524. Tax administration agreements.
Sec. 7525. Regulations."

#1

MEMORANDUM OF UNDERSTANDING
AMONG THE
U.S. DEPARTMENT OF THE TREASURY,
U.S. SOCIAL SECURITY ADMINISTRATION
AND
U.S. DEPARTMENT OF LABOR

BACKGROUND

The Internal Revenue Service (IRS) in the Department of the Treasury, the Social Security Administration (SSA) , and the Department of Labor are each participating in a project to identify and pursue ways to improve the nation's tax and wage reporting system. The project is known as the Simplified Tax and Wage Reporting System (STAWRS).

The objective of each agency's participation in STAWRS is to reduce the tax and wage reporting burden on employers while improving the efficiency and effectiveness of each agency's operations. This objective is being pursued by: 1) exploring the feasibility of, and making, a variety of tax and wage reporting services available to employers and participating tax entities, as appropriate, and 2) developing a harmonized wage code which will bring into agreement the Federal and State definitions of wages and other terms, due dates, forms and reporting formats relating to wage and tax reporting (to the extent practical), and the employer identification numbering system.

Vice President Gore's National Performance Review (NPR) recommended pursuing this initiative in the September 7, 1993 Report, "From Red Tape to Results, Creating a Government that Works Better & Costs Less." The NPR included STAWRS in two recommendations: TRE05, "Simplify Employer Wage Reporting," and IT05, "Provide Intergovernmental Tax Filing, Reporting, and Payments Processing."

PURPOSE

The purpose of this Memorandum of Understanding (MOU) is to formally establish an agreement among the Secretary of the Treasury, the Commissioner of Social Security, and the Secretary of Labor to pursue the common goal of reducing the tax and wage reporting burden on employers while improving the effectiveness of each agency's operations through STAWRS. This common goal is a matter of importance to each agency's mission. The efforts of these agencies will be coordinated by an Executive Steering Committee which is being created to provide a mechanism by which the three participating agencies may provide general policy guidance for the project.

ESTABLISHMENT OF EXECUTIVE STEERING COMMITTEE

A. The Commissioner of the IRS, the Commissioner of Social Security, and the Deputy Secretary of Labor will each designate two individuals from their respective agencies to serve as voting members of the Executive Steering Committee, with other members of the Executive Steering Committee being added as necessary. The Office of Management and Budget will be invited to designate one representative to participate on the Executive Steering Committee on a non-voting basis. The designations will be made within 30 days of the signing of this agreement. In addition, the Department of the Treasury's Assistant Secretary for Management will be a member of and the chairperson of the Executive Steering Committee.

B. The Department of the Treasury's Assistant Secretary for Management will designate a full-time Executive-In-Charge of the STAWRS Project. The Executive-In-Charge will serve as a non-voting, ex-officio member of the STAWRS Executive Steering Committee.

C. The Executive Steering Committee will convene within 45 days of the signing of this agreement.

D. The members of the Executive Steering Committee will represent their respective agencies on the Steering Committee in providing general guidance and direction, resolving issues, and making recommendations regarding the STAWRS Project through the Executive-In-Charge, with advice and recommendations from stakeholders, including individuals from States, State and Federal Government organizations, employers, employer organizations, labor organizations, employees, privacy advocates, and the public, as appropriate.

E. The members of the Executive Steering Committee will each pursue participation in the STAWRS Project by all stakeholders to address issues concerning STAWRS' scope, funding, functionality, transition strategy, organizational structure, governance, operations, and other related STAWRS topics.

F. The members of the Executive Steering Committee will periodically review and evaluate the overall progress being made in accomplishing the STAWRS' objectives, in particular, from the perspective of each's respective agency and associated stakeholders.

G. The Executive Steering Committee will make recommendations to the respective agency officials, with the chairperson voting only where necessary to achieve a majority, and all meetings will be documented.

H. Based on recommendations from the Executive Steering Committee, subsequent MOU(s) and/or interagency agreements may be developed and entered into, as appropriate, between the Commissioner of the IRS, the Commissioner of Social Security, and the Deputy Secretary of Labor regarding issues such as organizational structure, governance, operations and funding of STAWRS.

AUTHORITIES

(1) Title 42 of the United States Code (U.S.C.) Under Title XI of the Social Security Act, the Secretary of the Treasury and the Secretary of Labor make the necessary rules and regulations for the efficient administration of the functions with which each agency is charged under the Social Security Act (42 U.S.C. 1302). Under Titles II and VII of the Social Security Act, the Commissioner of Social Security is authorized to prescribe such rules and regulations as the Commissioner determines necessary or appropriate to carry out SSA's functions and may establish such procedures as the Commissioner determines necessary and appropriate to carry out the provisions of Title II (42 U. S. C. 405(a) and 902(a)(5)).

Title II of the Social Security Act authorizes the Secretary of the Treasury and the Commissioner of Social Security to enter into an agreement to process tax information under a Combined Annual Wage Reporting System (42 U.S.C. 432). The law authorizes the Secretary of the Treasury and the Commissioner of Social Security to modify or change the manner of such processing by mutual agreement.

The Commissioner of Social Security also must establish and maintain records of the amounts of each individual's earnings from employment and self-employment and the periods in which such amounts were earned (42 U. S. C. 405(c)(2)(A)).

(2) Title 31 of the U.S.C. The Secretary of the Treasury has responsibility for preparing plans for improving and managing receipts of the United States Government (31 U.S.C. 321).

(3) Title 29 of the U.S.C. The Secretary of Labor has the responsibility to foster, promote, and develop the welfare of the wage earners of the United States, to improve their working conditions, and to advance their opportunities for profitable employment (29 U.S.C. 551).

(4) Title 26 of the U.S.C. The Secretary of the Treasury has been given authority for administration and enforcement of the Internal Revenue laws by the Internal Revenue Code of 1986 and 31 U.S.C. 321(c). The Commissioner of the IRS has been given authority for administration and enforcement of the Internal Revenue laws by the Secretary of the Treasury in Department of the Treasury Order No. 150-10. This includes authority over employment taxes (Subtitle C and F, 26 U.S.C.).

PARTIES TO THE AGREEMENT

The parties to the MOU are the U.S. Department of the Treasury, the U.S. Social Security Administration, and the U.S. Department of Labor.

This agreement shall continue to apply to any entity of the United States Government which is a successor in interest to any Executive Agency which is a party to this agreement.

EFFECT OF AGREEMENT ON OTHER PERSONS AND OTHER AGREEMENTS

This document is an internal Government agreement and is not intended to confer any right or benefit on any private person or party.

Nothing in this agreement shall be interpreted as limiting, superseding, or otherwise affecting an agency's normal operations or decisions in carrying out its statutory or regulatory duties. This MOU is not intended to replace, limit, supersede, or otherwise affect other agreements among or between the agencies except to the extent necessary for proper implementation of this agreement.

EFFECTIVE DATE AND AMENDMENT

This MOU shall become effective upon the date of final signature and shall remain in effect for three years. This MOU may be amended by written agreement of all of the undersigned or their designees.

We, the undersigned, do hereby agree with the foregoing provisions of this agreement.

Secretary of the Treasury	Date
Commissioner of Social Security	Date
Secretary of Labor	Date

#2

MEMORANDUM OF UNDERSTANDING
AMONG THE
INTERNAL REVENUE SERVICE,
SOCIAL SECURITY ADMINISTRATION
AND
U.S. DEPARTMENT OF LABOR

BACKGROUND

The Internal Revenue Service (IRS) in the Department of the Treasury, the Social Security Administration (SSA) and the Department of Labor are each participating in a project to identify and pursue ways to improve the nation's wage and tax reporting system. The project is known as the Simplified Tax and Wage Reporting System (STAWRS).

The objective of each agency's participation in STAWRS is to reduce the tax and wage reporting burden on employers while improving the efficiency and effectiveness of each agency's operations. This objective is being pursued by: 1) exploring the feasibility of, and making available, a variety of tax and wage reporting services to employers and participating tax entities, as appropriate, and 2) developing a harmonized wage code which will bring into agreement the Federal and State definitions of wages and other terms, due dates, forms and reporting formats relating to wage and tax reporting (to the extent practical), and the employer identification numbering system.

Vice President Gore's National Performance Review (NPR) recommended pursuing this initiative in the September 7, 1993 Report, "From Red Tape to Results, Creating a Government that Works Better & Costs Less." The NPR included STAWRS in two recommendations: TRE05, "Simplify Employer Wage Reporting," and IT05, "Provide Intergovernmental Tax Filing, Reporting, and Payments Processing."

In another Memorandum of Understanding (MOU), the Secretary of the Treasury, the Commissioner of Social Security, and the Secretary of Labor acknowledged the importance to each agency of reducing the tax and wage reporting burden and agreed to pursue the STAWRS objectives in a coordinated fashion. That MOU also established an Executive Steering Committee, comprised of senior representatives from the Internal Revenue Service, the Social Security Administration, and the Department of Labor.

PURPOSE

The purpose of this MOU is to implement the objectives of the MOU referenced above by establishing a STAWRS Project Office. The Internal Revenue Service will establish the STAWRS Project Office. Agency liaison representatives from SSA and the Department of Labor will coordinate the efforts of their respective agencies through the STAWRS Project Office. STAWRS Project Office staff and SSA and Department of Labor liaison representatives will work closely with each other and with their respective associated stakeholders to achieve the Project's objectives. The STAWRS Project Office will establish a facility appropriate for the extensive collaboration efforts contemplated by the three agencies and for the broad-based stakeholder consultation envisioned under these MOU's.

ESTABLISHMENT OF STAWRS PROJECT OFFICE

1. An Executive-In-Charge, designated by the Assistant Secretary for Management in the Department of the Treasury, will lead the STAWRS Project Office.

2. The Commissioner of the IRS will provide a minimum of two full-time equivalents to serve in the STAWRS Project Office. The Commissioner of Social Security and the Deputy Secretary of Labor will each provide a minimum of two full-time equivalents to serve as agency liaison representatives to the STAWRS Project. All commitments of staff are subject to the availability of funds and are for the initial 36 months following the signing of this MOU, or less, if the project is terminated earlier. SSA and the

Department of Labor will, subject to the availability of funds, assume the costs associated with the participation of their respective liaison representatives.

3. STAWRS Project Office staff and SSA and DOL agency liaison representatives to the STAWRS Project may work at their official duty stations, or the STAWRS Project Office when direct collaboration is necessary to carry out their duties.

4. The responsibilities of the STAWRS Project Office include: identifying, implementing, and evaluating proof-of-concept pilot and demonstration projects; establishing and operating a stakeholder relations and education program; drafting proposed legislation, regulations, orders, agreements, procedures, and related documents; developing and analyzing alternatives for STAWRS management organizations; drafting a model harmonized wage code; developing, evaluating, and recommending privacy, disclosure, and data sharing policies; drafting simplified forms and filing procedures; developing proposed operational policies and procedures; and performing other related duties. Agency liaison activities will include having agency employees develop positions on STAWRS Project issues related to their respective agency's mission. Each agency's representatives will ensure that proposed positions are communicated to and coordinated with the affected agencies.

5. The STAWRS Project Office will actively seek advice and recommendations from individual stakeholders, including representatives from States, State and Federal Government organizations, employers, employer organizations, labor organizations, employees, privacy advocates, and from the public, as necessary.

6. In addition to the staff provided in paragraph 2, the IRS will provide, subject to the availability of funds, reasonably appropriate office facilities, conference rooms, equipment, supplies, and related support services and clerical staff for the day-to-day operation of the STAWRS Project Office.

7. The IRS will provide, subject to the availability of funds, reasonably necessary communications facilities. These may include an 800 number and a PC-based bulletin board to ensure full project participation by all stakeholders including Federal agencies, State Governments, employers, employer representatives, employee organizations, and privacy advocates.

AUTHORITIES

(1) Title 42 of the United States Code (U.S.C.) Under Title XI of the Social Security Act, the Secretary of the Treasury and the Secretary of Labor make the necessary rules and regulations for the efficient administration of the functions with which each agency is charged under the Social Security Act (42 U.S.C. 1302). Under Titles II and VII of the Social Security Act, the Commissioner of Social Security is authorized to prescribe such rules and regulations as the Commissioner determines necessary or appropriate to carry out SSA's functions and may establish such procedures as the Commissioner determines necessary and appropriate to carry out the provisions of Title II (42 U. S. C. 405(a) and 902(a)(5)).

Title II of the Social Security Act authorizes the Secretary of the Treasury and the Commissioner of Social Security to enter into an agreement to process tax information under a Combined Annual Wage Reporting System (42 U.S.C. 432). The law authorizes the Secretary of the Treasury and the Commissioner of Social Security to modify or change the manner of such processing by mutual agreement.

The Commissioner of Social Security also must establish and maintain records of the amounts of each individual's earnings from employment and self-employment and the periods in which such amounts were earned (42 U. S. C. 405(c)(2)(A)).

(2) Title 31 of the U.S.C. The Secretary of the Treasury has responsibility for preparing plans for improving and managing receipts of the United States Government

(31 U.S.C. 321).

(3) Title 29 of the U.S.C. The Secretary of Labor has the responsibility to foster, promote, and develop the welfare of the wage earners of the United States, to improve their working conditions, and to advance their opportunities for profitable employment (29 U.S.C. 551).

(4) Title 26 of the U.S.C. The Commissioner of the IRS has been given authority for administration and enforcement of the Internal Revenue laws by the Secretary of the Treasury in the Department of the Treasury Order No. 150-10. This includes authority over employment taxes (Subtitle C and F, 26 U.S.C.).

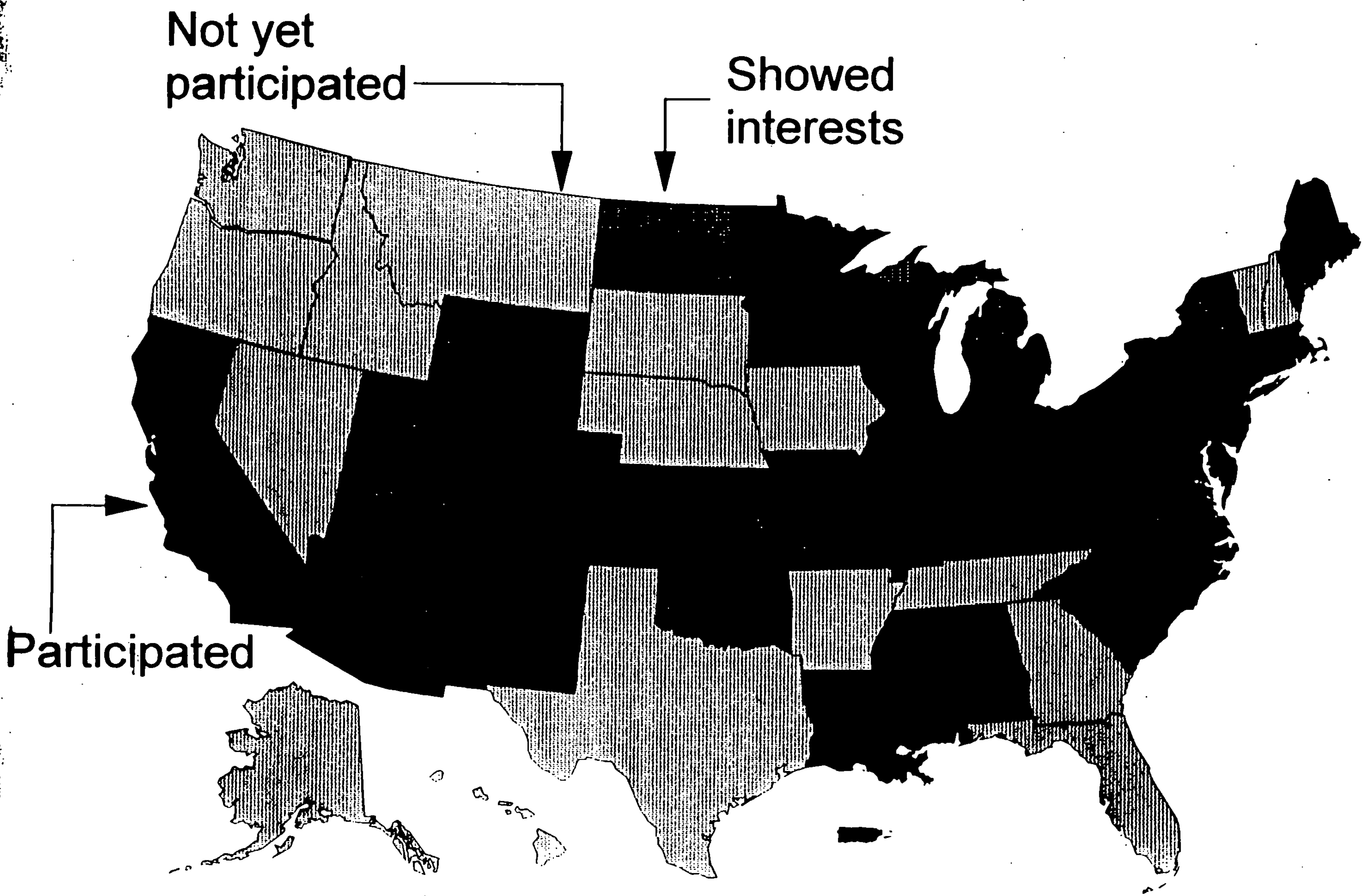
PARTIES TO THE AGREEMENT

The parties to this MOU are the Internal Revenue Service, the Social Security Administration, and the Department of Labor. This agreement shall continue to apply to any entity of the United States Government which is a successor in interest to any Executive Agency which is a party to this agreement.

EFFECT OF AGREEMENT ON OTHER PERSONS AND OTHER AGREEMENTS

This document is an internal Government agreement and is not intended to confer any right or benefit on any private person or party.

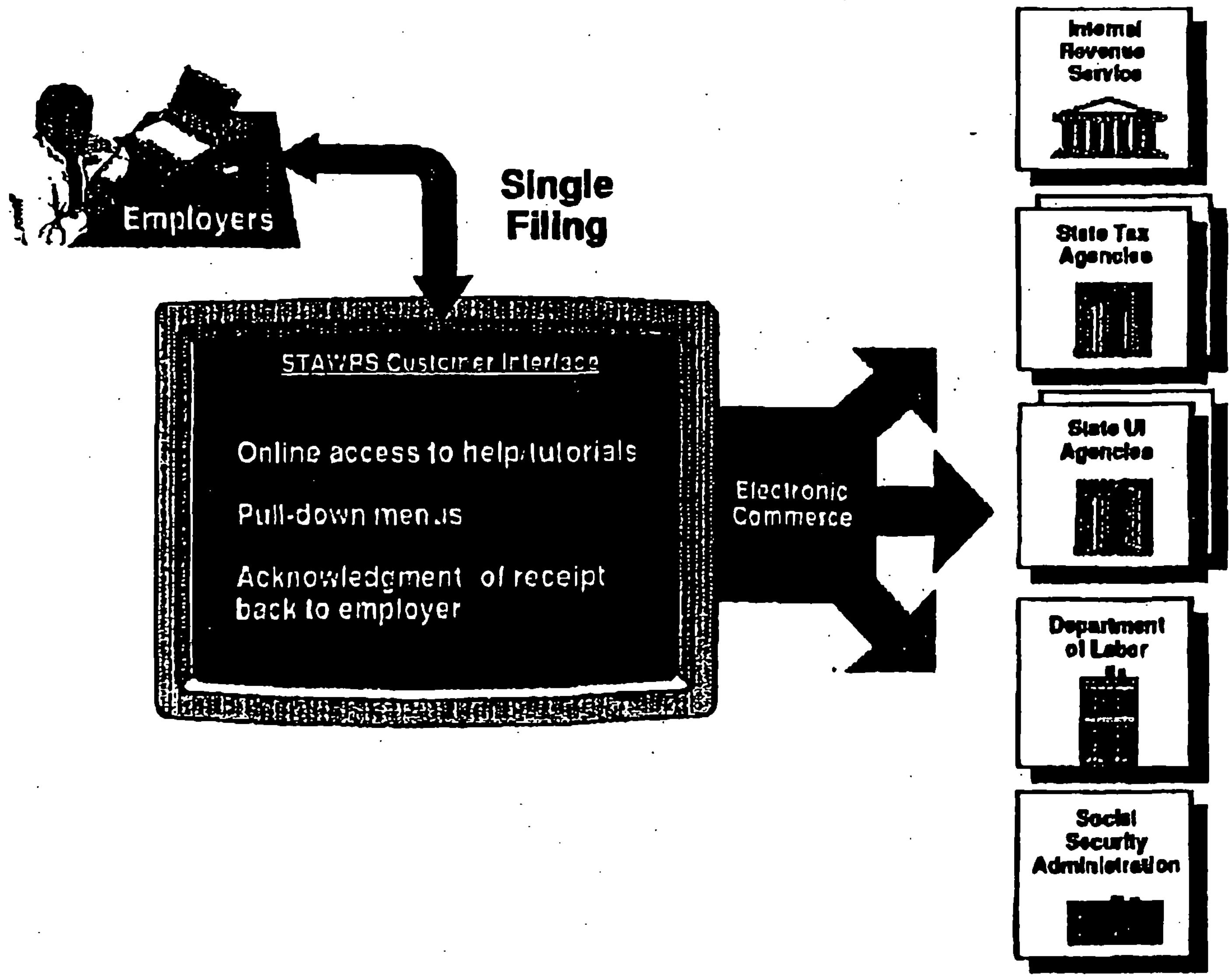
Nothing in this agreement shall be interpreted as limiting, superseding, or otherwise affecting an agency's normal operations or decisions in carrying out its regulatory or legal duties. This MOU is not intended to replace, limit, supersede, or otherwise affect other agreements among or between the agencies except to the extent necessary for proper implementation of this agreement.



State Participations In STAWRS

W. Chou

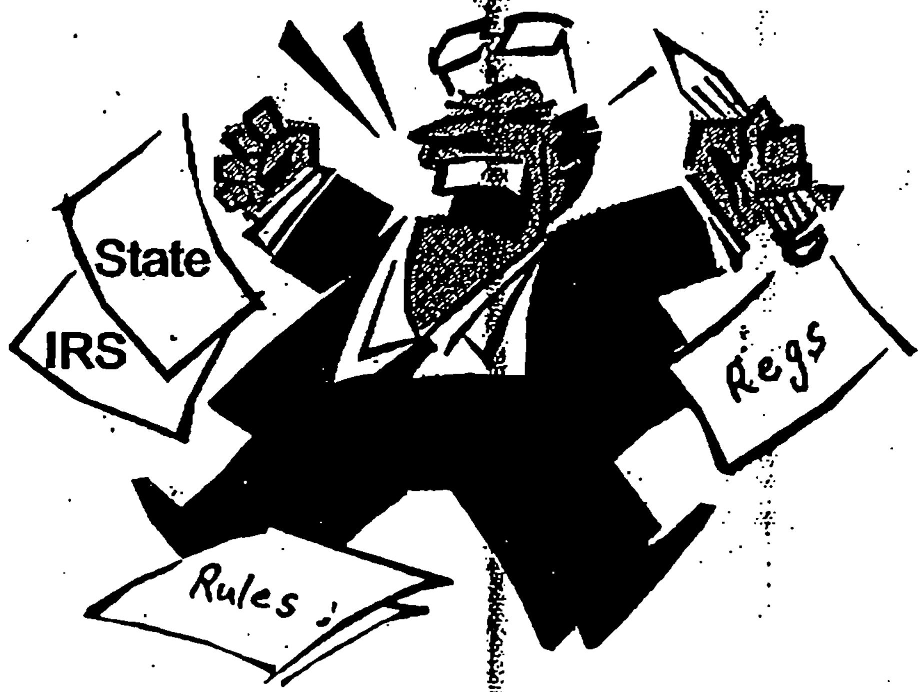
Prototype: Single Filing Through Electronic Commerce



"Seamless" Tax Administration

Means Changing Our

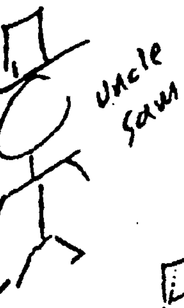
Tax Administration Paradigms...

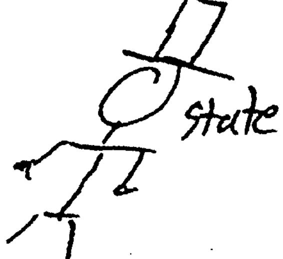


To Address a Taxpayer's

<u>Total Tax Needs</u>

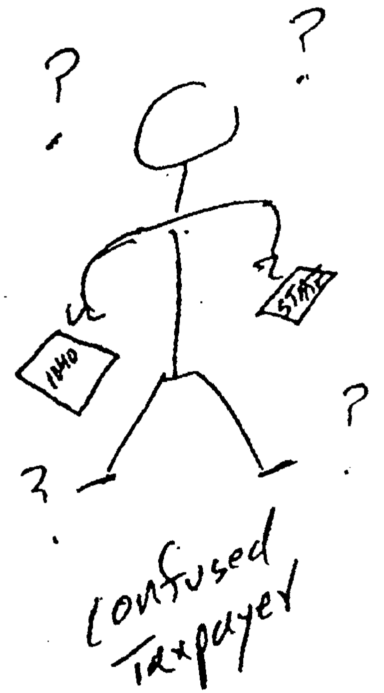
Current Duplicative Burden on Taxpayers





Federal Law

Rules
Regulations
Filing Requirements
Filing Dates
Assorted Forms
#'s to call for Assistance



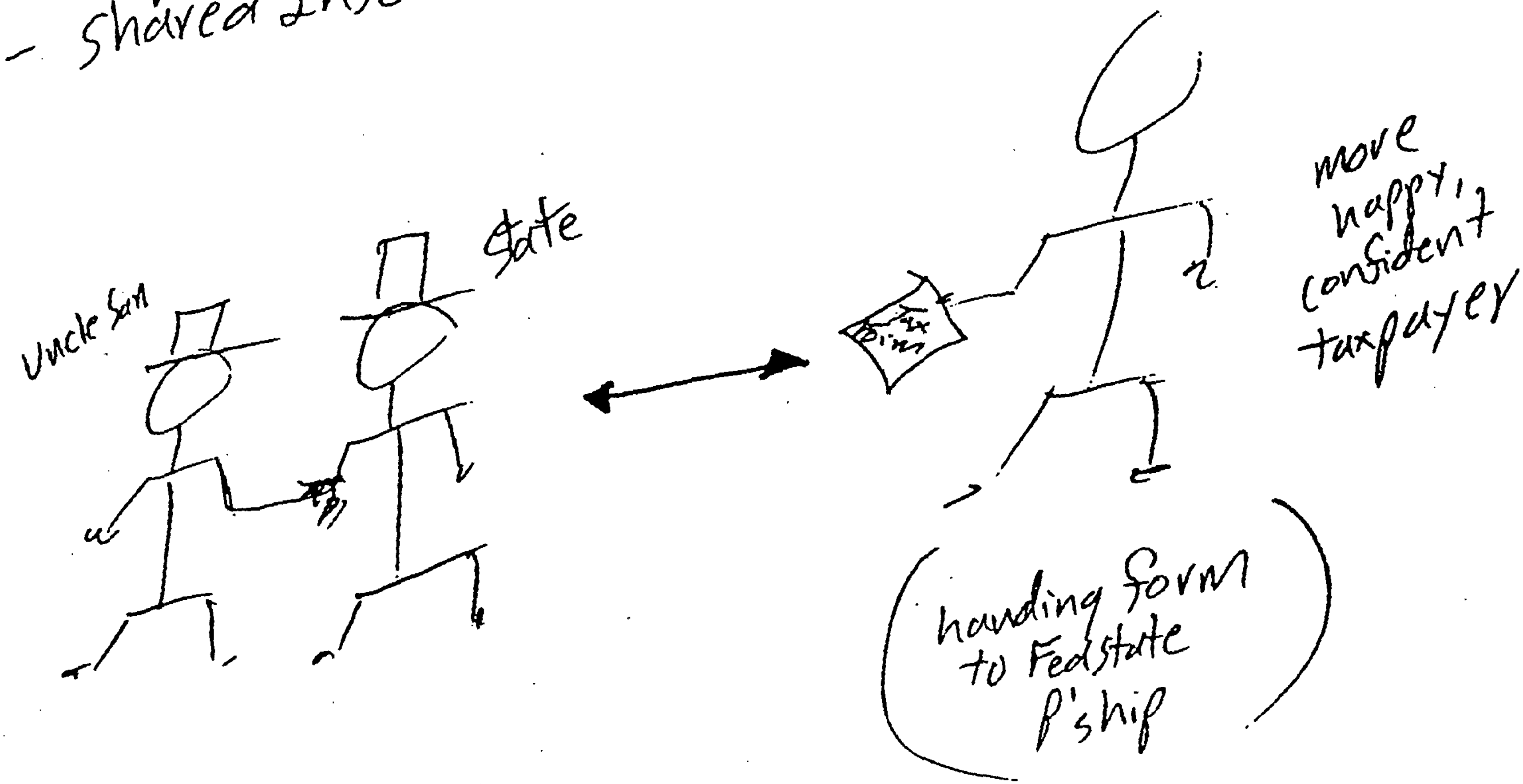
State Law

Rules
Regulations
Filing Dates
Filing Reqs
Assorted Forms
#'s to call for Assistance

Increased fea[illegible]

Reduces Burden

Allows:
- Cooperation
- Shared Info
- Shared Workload
- Joint submissions



PRESIDENT AND VICE PRESIDENT
NPR PHASE II ROLL-OUT ANNOUNCEMENT
DEPARTMENT OF THE TREASURY
JUNE 9, 1995

Invitation List

Department of the Treasury:

Robert E. Rubin, Secretary of the Treasury

David Dreyer, Special Assistant to the Secretary

Frank N. Newman, Deputy Secretary of the Treasury

David A. Lebryk, Special Assistant to the Deputy Secretary

J. Benjamin H. Nye, Executive Secretary

George Muñoz, Assistant Secretary (Management) & CFO

W. Scott Gould, DAS (Departmental Finance & Management)

Ed Verburg, Deputy Chief Financial Officer

Alex Rodriguez, DAS (Administration)

Bill Chou, DAS (Information Systems)

Mary Ellen Withrow, Treasurer of the United States

Valerie Lau, Inspector General

(Designee), Under Secretary for Domestic Finance

Ron Noble, Under Secretary (Enforcement)

Gerald Murphy, Fiscal Assistant Secretary

Richard Carnell, Assistant Secretary (Financial Institutions)

Larry Summers, Under Secretary for International Affairs

Jeffrey R. Shafer, Assistant Secretary (International Affairs)

Ed Knight, General Counsel

Les Samuels, Assistant Secretary (Tax Policy)

Mike Levy, Assistant Secretary (Legislative Affairs)

Alicia Munnell, Assistant Secretary (Economic Policy)

Joan Logue-Kinder, Assistant Secretary (Public Affairs)

Tony Fleming, Office of Treasury Reinvention

Department of the Treasury (Bureau Heads):

Margaret Milner Richardson, Commissioner, Internal Revenue Service (IRS)

Russell Morriss, Commissioner, Financial Management Services (FMS)

George Weise, Commissioner, U.S. Customs Service (USCS)

Phil Diehl, Director, United States Mint (USM)

Eugene Ludwig, Comptroller, Office of the Comptroller of the Currency (OCC)

Jonathan Fiechter, Director, Office of Thrift Supervision (OTS)

Richard Gregg, Commissioner, Bureau of the Public Debt (BPD)

John Magaw, Director, Bureau of Alcohol, Tobacco & Firearms (ATF)

Eljay Bowron, Director, U.S. Secret Service (USSS)

Charles Rinkovech, Director, Federal Law Enforcement Training Center (FLETC)

Peter Daly, Director, Bureau of Engraving & Printing (BEP)

Bullet Points for June 9 Presidential Presentation on Small Business Burden Reduction

General

Treasury Department is announcing today the expansion of an important initiative aimed at reducing the wage and reporting burden of employers and other taxpayers. The Treasury Department and IRS are also announcing today that the Administration will pursue legislation enabling the IRS to further develop partnerships with state tax agencies to reduce taxpayer burden, improve taxpayer service, and minimize tax administration costs.

Simplified Tax and Wage Reporting Project

- The goal of Treasury's simplified tax and wage reporting project is to reduce tax and wage reporting burdens on employers while saving Federal and state operations costs.

- The purpose of the project is to develop a voluntary system with stakeholders (states and employers) that:

  - SIMPLIFIES LAWS, DEFINITIONS, AND PROCEDURES related to tax and wage reporting (worker classification, wage components, data definitions, employer identification numbers, filing procedures and periods, forms and formats)

  - ENABLES AN EMPLOYER TO FILE A SINGLE RETURN ELECTRONICALLY -- An electronic commerce network will map the data into appropriate formats for sending to appropriate State and Federal agencies.

  - PROVIDES ENHANCED ASSISTANCE AND SERVICES TO EMPLOYERS FOR EASIER FILING

- The project has three primary objectives:

  1) optimize harmonization of Federal and state tax and wage codes -- i.e., have tax jurisdictions use similar definitions of key terms: employee, employer, employment and wages;

  2) develop one-stop electronic filing for tax and wage reporting -- i.e., have employers and tax agencies use national electronic commerce

networks where employers would be able to input data only once rather than multiple times; and

3) provide employer services for easier data submissions --i.e., provide direct, technical assistance to new employers and enable employers to validate employee social security numbers via personal computers or telephones.

Important Principles:

- Maintain jurisdictional neutrality and sovereignty

- Minimize impact on existing system/programs (emphasize compatibility)

- Minimize impact on employee benefit programs

- Maintain revenue neutrality impact on government agencies.

- Protect privacy of participants.

Already in Process - "Paper W-2 Project":

- Employer W-2 Submissions -- current operations:

  - Large employers (over 250 employees) -- submitting magnetic tape containing all employers W-2 data to SSA and to States.

  - Small employers-- submit paper W-2 to SSA and to individual States.

- The "Paper W-2 Project":

  - Small employers send paper W-2 to SSA. SSA scans the paper, turns the data over to IRS which, in turn, sends tapes to 29 participating States, compiling the employer data for each State.

  - Illinois no longer requires employers to submit separate paper W-2 data; other States are expected to do the same.

The Future:

When the project is fully implemented, it is projected that employers may save up to $1 billion annually in tax and wage reporting costs. (Of the approximately 6.2 million employers in the United States, 60% have fewer than 5 employees; therefore, small businesses in particular will benefit from reductions in reporting burdens.

Other:

- The simplified tax and wage reporting system is a joint project of the Department of Treasury, the Internal Revenue Service, the Social Security Administration, the Department of Labor, the Office of Management and Budget, various States (29 are currently involved), and private organizations.

FedState Partnerships – Making Taxation Less Taxing

- The IRS and state taxing authorities are working together to reduce taxpayer burden, improve taxpayer service, and minimize tax administration costs. The goal is to eliminate duplicative tax requirements and to take advantage of economies of scale in tax administration wherever possible.

Current Successes:

- Joint Electronic Filing — Through a FedState joint program, taxpayers can satisfy both their federal and state filing requirements with a single electronic transmission. 29 states participated in joint electronic filing in 1995, with more than 1.5 million returns filed. The program will expand to 32 states in 1996.

- Filing Assistance — The IRS and many state tax agencies jointly distribute tax forms and provide taxpayer filing assistance.

- Joint Outreach Programs — The IRS is working with many states to jointly provide:

  -- tax counseling for the elderly,
  -- education for new businesses,

- -- education for other targeted taxpayer groups,
- -- tax practitioners' workshops, and
- -- educational publications.

Barriers:

- Further growth in FedState partnership programs is hampered because the IRS is currently barred from using appropriated funds to provide services to state agencies, even if the cost is reimbursed.

- Because of present disclosure laws, a joint electronic filer must file in duplicate any tax data that is required by both the IRS and the state; the IRS then must transmit the second set of data to the state.

Removing Barriers:

- To enhance the growth of FedState partnerships, we are proposing legislation that would allow the IRS to use appropriated funds for FedState reimbursable projects and eliminate restrictions on the use of data that is common to both Federal and state tax returns.

- The legislation would serve as a model for states that need legislative changes to remove their barriers to growth in FedState partnerships. These proposals have been endorsed by the Federation of Tax Administrators representing all 50 states.

The Future:

- Once the legal barriers are removed, the IRS and the states will be able to engage in countless new cooperative efforts that would make taxation less taxing by:

    - eliminating the requirement that taxpayers provide the same information to both the IRS and the state taxing authorities;

    - allowing taxpayers who make errors in their electronic returns to correct those errors by working with a single contact point for both Federal and state purposes;

    - offering "one-stop service" where taxpayers could call one location and receive answers to federal and state tax questions;

- allowing taxpayers to satisfy their tax obligations by entering into coordinated installment agreements with the IRS and state taxing agencies; and

- paving the way for the development of a single federal/state income tax form.

- The cost of government will be greatly reduced through eliminating duplicative tax administration efforts and taking full advantage of available economies of scale.

- Preliminary Treasury estimates, assuming participation by 20 percent of the states, show cumulative benefits by FY 2000 of:

  -- $1.5 billion reduction in taxpayer burden, and

  -- $315 million increase in revenues.

Other NPRII Initiatives

Other NPRII initiatives include:

- improving the Federal government's debt collection record;

- streamlining administrative services and consolidating the field offices of various Treasury agencies;

- consolidating certain Treasury Department target services (personnel, procurement, accounting, and budget);

- consolidating border operations (Customs and INS' primary inspection function);

- developing an electronic smart card, a form of electronic currency similar to the farecards now used in Washington's Metro system that could make Treasury purchases and benefit payments more efficient.

DRAFT

REDUCING THE BURDEN TO SMALL BUSINESS OWNERS AND THE AMERICAN TAXPAYER

THE PRESIDENT'S SPEECH

June 9, 1995 in ....

OPENING REMARKS

I am pleased to welcome everyone to [name of business] to announce the Department of Treasury's initiatives to reduce the burden on small businesses and the American taxpayer. In the spirit of reinventing government, Treasury is leading a cooperative effort between the Federal and State governments.

People have long complained about the many forms and complicated steps required to file our taxes. Today, employers often must file forms in more than one place at the federal level in addition to filing with each state government. We know what a burden the current reporting system has placed on everyone and we are changing it.

Treasury is spearheading the Simplified Tax and Wage Reporting System (STAWRS) [pronounced stars]. As the name suggests, STAWRS is meant to simplify the filing process. For America's 6.2 million employers, this could eliminate the need to file W-2 data multiple places. This will mean a single report filed in one place. Already Illinois has eliminated the paper filing requirement. [get additional specifics from steve bryant]

DRAFT

While achieving these successes, the project will ensure State sovereignty is being protected, employees benefits are not adversely impacted, and privacy is being protected.

In order to further reduce the burden for all taxpayers, I am proposing legislation that promotes cooperative agreements between the Federal and state governments. These agreements will remove barriers, allow joint filing, and promote customer assistance by offering one-stop service. Overall, this will provide a $1.5 billion reduction in taxpayer burden.

Government has got to run like a business. Initiatives like these and the others from the Treasury reflect our continuing effort to the quality of government....[closure].

Secy Rubin's Quote.

THE SIMPLIFIED TAX AND WAGE REPORTING SYSTEM WILL REDUCE RED TAPE AND COSTS TO EMPLOYERS - ESPECIALLY SMALL BUSINESSES - WHEN THEY PROVIDE "W-2" TAX AND WAGE INFORMATION.

THROUGH ONE-STOP ELECTRONIC FILING, FEDERAL AND STATE GOVERNMENTS WILL SPEAK THE SAME LANGUAGE, AND BUSINESSES WILL SPEND LESS TIME FILLING OUT FORMS AND MORE TIME CREATING JOBS FOR AMERICANS.

Call Becky 2-1997 ext 4430

Delete and Insert

Talking Points
for Secretary Rubin
NPR Phase II Roll-Out
June 9, 1995
10:30AM, Cash Room, Main Treasury

LOCATION:

- **Who**--President Clinton, Vice President Gore, other Secretaries, representatives of core constituencies (small business owners...), and Secretary Rubin

- **Where**--TBD

- **Why**--

TREASURY'S MISSION:

- The Department of the Treasury's mission is to:

  -- formulate and recommend economic, fiscal and tax policies;
  -- serve as financial agent of the United States Government;
  -- enforce the law;
  -- protect the President and other officials; and
  -- manufacture coins and currency.

TREASURY'S REINVENTION PROCESS:

- Treasury pursued the principles of NPR Phase I by:

  -- developing streamlining plans;
  -- setting customer service standards; and
  -- reforming procurement practices.

- Treasury's Secretary embraced the NPR Phase II objectives and challenged Treasury bureaus to develop bold and specific proposals for:

  -- Improved Service to the Customers <u>and</u> Citizens;
  -- Reduced Budget and Staffing (FTEs);
  -- Alignment of Treasury Services with our Mission;
  -- Empowered Employees Responsive to Stakeholder Needs; and
  -- Increased Revenue.

- Treasury utilized a two-pronged approach with bureau teams and a Department-level, cross-cutting Nucleus Team working independently to develop NPR Phase II proposals.

- Treasury's Deputy Secretary directed each bureau head to establish a team to:

  -- Develop a list of bold proposals to devolve, privatize, terminate, franchise, and reinvent focusing on two timeframes: short term (one year) and longer term (five to seven year) time frames. Include regulatory reform issues; background information, and analysis and recommendations.
  -- Develop strategies to implement recommendations.
  -- Link downsizing efforts with revitalization.
  -- Take care of our people throughout the process.

- A Nucleus Team, comprised of senior level political and career officials, was formed to develop ideas for the Deputy Secretary's consideration, and provide guidance to the Bureau Teams on administrative items.

- A composite of both Teams' ideas was developed and accepted by the Deputy Secretary.

- Potential benefits to the American Public from Treasury's NPR initiatives include:

  -- reduced taxpayer burden; and
  -- increased customer service.

REINVENTING GOVERNMENT:

In March 1993, President Clinton announced his commitment to make fundamental changes in the nature and operations of the Federal Government and to create a government that "Works Better and Costs Less." He established a framework for promoting this change process -- the National Performance Review -- and asked Vice President Al Gore to personally lead this effort.

> *"Our goal is to make the entire federal government both less expensive and more efficient, and to change the culture of our national bureaucracy away from complacency and entitlement toward initiative and empowerment. We intend to redesign, to reinvent, to reinvigorate the entire national government."*
> ***President Clinton--March 3, 1993***

The National Performance Review

- The NPR adopted four key guiding principles.

  -- Cut red tape.
  -- Put the customer first.
  -- Empower employees to get results.
  -- Cut back to basics.

- There have been two phases of the NPR Process

  -- Phase I of NPR was focused on government-wide reinvention
  -- Phase II of NPR was focused on agency-specific reinvention

- Under Phase I, the federal government accomplished:

  -- Streamlining the bureaucracy through reengineering -- federal employment has dropped by 98,000;
  -- Consolidating and modernizing the information systems infrastructure;
  -- Creating customer service standards -- over 100 federal agencies have published customer service standards; and
  -- Reforming procurement processes -- restrictions have been lifted and best practices promoted.

- Under NPR Phase II, agencies were tasked to develop bold, agency-specific proposals for reinvention. To identify potential candidates for change, the NPR provided a "Decision Tree," which asked the questions:

  -- What functions and agencies can be devolved, privatized, terminated, franchised, reinvented or eliminated?

  -- Can competition be introduced to improve performance?

  -- How can customer service be enhanced in programs that are continued?

  -- How can NPR principles be applied to put customers first, cut red tape, and empower employees, taking care of our people in the process?

Treasury Phase II Outcomes

- The 7 bold proposals were presented to and accepted by the Vice President, who commended Treasury for its NPR Phase II efforts. The 7 accepted proposals are:

  1) Improving Debt Collection in the Federal Government;
  2) Federal/State Tax Partnership;
  3) Simplified Wage and Tax Reporting System (STAWRS);
  4) Consolidate NPR-Targeted Services;
  5) Streamline Treasury Field Offices;
  6) Consolidate Border Operations; and
  7) Electronic Smart Cards.

- Preliminary estimates show NPR Phase II initiatives have potential for:

  -- $1-3 billion additional revenue;
  -- $0.5 billion cost savings;
  -- $3 billion reduced taxpayer burden;
  -- savings of 4,000 FTEs; and
  -- and better service for tax filers and travellers.

DRAFT

Office of the Secretary
Contact: John Murchinson (202) 622-2960

For Immediate Release
Friday, June 9, 1995

CLINTON ADMINISTRATION ANNOUNCES BOLD IDEAS FOR THE DEPARTMENT OF THE TREASURY'S NATIONAL PERFORMANCE REVIEW PHASE II

The Clinton Administration today announced that the Treasury Department will expand its STAWRS project, aimed at reducing the tax and wage reporting burden of employers and taxpayers. The Department also intends to enter into voluntary tax partnerships with the states, moving toward a "single return" and providing for the reciprocal exercise of tax authority.

STAWRS, short for Simplified Tax And Wage Reporting System, reengineers current processes to:

- Harmonize tax and wage codes
- Use electronic filing for all tax and wage reporting
- Provide employer services for easier data submissions

The aggressive Federal/State Tax Reporting Partnership moves the public ever closer to a "single return", minimizing the need for multiple returns and duplicative, manual intensive data preparation.

Both proposals will save taxpayers, the business community, and government billions of dollars over the next five years.

Also sharing center stage were five other initiatives that represent the Department's concentrated efforts at defining its core missions, restructuring operations, and increasing opportunities for revenue collection.

Improving Debt Collection in the Federal Government

- Using offsetting Federal payments
- Making full use of measures allowed by law
- Legislation to provide stronger, consistent remedies
- Using a layered collection process

Consolidation of NPR Targeted Services

- Reduce and consolidate personnel, procurement, accounting and budget functions

- Introduce competition into the delivery of these services

Streamline Treasury Field Offices

- Set targets for streamlining and/or consolidation
- Reduce office space and personnel

Consolidate Border Operations

- Combine Customs and INS' primary inspection functions
- Recommend best site processing methods within 90 days

Electronic Smart Card

- Market maker
- Provides a government service
- Opportunities for private sector sales

These seven **bold ideas** represent Treasury's commitment to the Administration's ambitious plans for reshaping government services, lowering costs, and earning back the respect of our customers - the American public.

See attached fact sheet for details.

F.Y.I.

Telephone Discussion between Elaine Kamark
and George Munoz, Thursday, June 1, 1995.

SITE
-Still looking for site. Likely to be a small business site of Clinton appointed delegate to the WHCSB located in the area.

PRESENTATIONS:
-Secretary Rubin's Speech includes the following:
1. Describe the location where the event is being held and why it is there.
2. Explain the Treasury Dept.'s mission and process of reinvention and what it means to ordinary Americans. (e.g., Treasury is committed to burden reduction and everything it is doing is geared toward that goal while still carrying out its responsibilities.")
3. Introduce the Vice President.

-Vice President speaks on Reinvention generally and introduces the President.
4.
-President: More specific on burden reduction. Presents STAWRS, and Fed/State Partnership, and Commissions a [3 - 6 month] Study on Streamlining FUTA Reporting and Collection. MOU signing to follow. Perhaps have comments from Governor or other invited guest.

DELIVERABLE:
Due tomorrow, Friday, June 2nd by noon is a statement on STAWRS that has been cleared by all policy offices (including OMB). To be transmitted to Elaine Kamark which she will use for Business Week. Business Week hits the stands on June 9th, and will cover this piece. Need quote from Secy Rubin as part of the write up of STAWRS.

MOU FOR STAWRS. Make sure that the 3 Secretaries are notified of the event and that they are to attend for the signing ceremony.

WORK ON LANGUAGE for the Study on FUTA Simplification.

WORK ON VISUALS FOR THE EVENT. Can we have a DEMO on the site. Can we have a small business owner or tax filer who has made use of either STAWRS or FED/STATE PARTNERSHIP? Small business owner from Iowa?

WORK ON SATELLITE POSSIBILITIES

WILL GET MAYBE 30 - 50 SLOTS FOR INVITEES.

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MEETING TO DISCUSS
REGO II EVENT
WITH PRESIDENT AND VICE PRESIDENT
May 24, 1995
11:00 am

AGENDA

1. Status and Overview of 2 highlighted activities:

   - STAWRS
   - Fed/State Partnership ~~for Single Return~~

2. Status and Overview of FUTA proposal from Department of Labor

3. Perspective from various stakeholders and parties of interest:

   - Management (Gould/Chou)
   - Internal Revenue Service
   - Tax Policy
   - Legislative Affairs
   - Public Affairs (Murchinson)
   - Secretary Rubin's Office (Dryer)
   - Deputy Secretary's Office (Lebryk)

   In addition, the perspective from NPR, OMB, and the White House will be discussed by Management

4. Creation of Checklist and Assignments for Process, Protocol, and Deliverables

5. Follow-up with parties outside of Treasury and agree on schedule for next meeting

MINUTES FROM MEETING TO DISCUSS
REGO II EVENT WITH
PRESIDENT AND VICE PRESIDENT
May 24, 1995

Purpose:

To discuss Treasury's strategy and plan for presenting NPR Phase II "Bold Ideas" at the June 9 meeting with the President and Vice President.

List of Attendees:

Treasury Department

George Muñoz
Clara Apodaca
Julie Huffman
John Murchinson
Bill Chou
Steve Bryant
Joel Taub
Lowell Dworin
Al Arena
James Coleman

Internal Revenue Service

Beverly Monaco
J. Paul Whitehead
Doug Dillon
Steve Holden
Frank Keith

Opening Remarks (George Muñoz)

Rego II event with President and Vice President is now scheduled for June 9.

Going to focus on STAWRS and Federal/State Partnership; other items will be mentioned, but not significantly highlighted.

Labor/Treasury activities where focus is on reduced burden for employers is the key.

This event will be a prelude to the June 11 Small Business Conference.

Status and Overview:

STAWRS (Bill Chou)

Goal of this project is to reduce the tax and wage reporting burden of employers and taxpayers by reengineering current reporting processes. This is a voluntary participation program with interested states.

Objectives:

Harmonize tax and wage codes
Use electronic filing for all tax and wage reporting
Provide employer services for easier data submissions

Strategy:

Uses existing infrastructure and software
Field Test with limited trading partners

Scenario:

Electronic submission of IRS Form 941, Quarterly Withholding, and selected State forms
Use a Value Added Network (VAN)

Concerns:

Will any additional information be required from employers with an electronic submission?
Who will administer the VAN?
Any policy questions?
Need to add a fourth slide for the Vision Statement
"Protecting Privacy Rights of Citizens"

Total Cost of Project:

$50M

Savings:

$17B in first ten years after start-up
$15B in the private sector
$2B in the government
$1.7B annual savings to business community after start-up

Federal/State Tax Partnership (Beverly Monaco)

Goal:

To expand the Federal/State tax partnership to permit coordinated filing on a single return

Outcomes:

Reduce compliance burden for taxpayers
Improve cost effectiveness of tax administration
Minimize necessity for multiple returns

Savings:

$1.5B annually to government
$1.7B to taxpayers

IRS Position:

The IRS wants to move toward an integrated return, but does not espouse a single return concept!

IRS Strategy:

Passage of a legislative proposal that provides for the reciprocal exercise of tax authority and gives states the opportunity to enter into agreements for the delegation of tax administration functions to the federal government without relinquishing sovereignty.

Passage of this enabling legislation addresses...
disclosure issues
the use of federally appropriated funds to administer taxes

Why not announce a "single return"?

Legal issue of state sovereignty
Technological issue (need $ to fund new programs and systems)
Legacy Systems currently used to process returns (don't want to divert resources from TSM)
Disclosure/Privacy Act issues

To date:

32 out of 41 states with income tax allow electronic filing of returns, however, taxpayers are still burdened by need to have someone submit the data.

Status of FUTA

Are awaiting a Go/No Go decision by Thursday, May 25th

Perspective

Management (George Muñoz)

What message is Treasury going to convey at the June 9 event?

Treasury needs to be supportive of the administration's focus on reducing filing burdens for employers and taxpayers.

Want to show that we are working on something.

We do not want the President to say something that isn't correct or that we can't deliver on.

We do want to facilitate independence of state tax systems.

Public Affairs (John Murchinson)

Suggested that the next meeting include a representative of the NPR to participate in the process to define our position on STAWRS and Fed/State.

Deliverables: (George Muñoz)

Schedule a meeting for Tuesday, May 30, at a location TBD later (Clara Apodaca)
Participants should be IRS, NPR, and Office of Management/CFO to resolve what the focus of the message is going to be.

Prepare papers for the May 30 meeting outlining what Treasury's message should be to the President on...

STAWRS (Steve Bryant, Treasury)
Federal/State Tax Partnership (J. Paul Whitehead, IRS)
" " (James Coleman, Treasury)

MEETING TO DISCUSS
REGO II EVENT
WITH PRESIDENT AND VICE PRESIDENT
MAY 30, 1995
2:00PM

AGENDA

- Point Papers

  - Fed/State
  - STAWRS
  - Debt Collection

- Message for the President

  - Draft Press Release

- NPR Involvement

- Next steps

Attachments

- Point papers
- Draft press release

MINUTES FROM MEETING TO DISCUSS
REGO II EVENT WITH
PRESIDENT AND VICE PRESIDENT
May 30, 1995

Purpose:

To discuss Treasury's strategy and plan for presenting NPR Phase II "Bold Ideas" at the June 9 meeting with the President and Vice President.

List of Attendees:

Treasury Department

George Muñoz
W. Scott Gould
Julie Huffman
Bill Chou
Steve Bryant
Al Arena
James Coleman
Ed Verburg

Internal Revenue Service

J. Paul Whitehead
Bill Lovelace
Judy Ochs
Oliver Robinson
Doug Dillon

Opening Remarks (George Muñoz)

We want to try and schedule these meetings every two days.

Point Papers

Federal/State (George Muñoz)

Like the format used with this paper.
We need to change the heading and **emphasize the vision** for the project.
Want to articulate the Fed/State cooperation concept.
Expound on the "More Specifically" section of the paper, let us know what you're going to do in the next year.
Need to provide estimates for savings.
There are no dollar figures attached.
Let's keep this in DRAFT form and revise for the next meeting.

STAWRS (George Muñoz)

Want to harmonize both papers, using the IRS format.
Expand the paper and begin with the concept, then the detail.
Let everyone know who is involved (stakeholders) and what are the guiding principles of the project.
Approximate cost for implementation is $50M. Figure doesn't include state costs.
If we're going to go forward with STAWRS, then why are we still calling it a prototype?
We must be able to "vouch" for this by the June 9 ceremony.
We need to speed-up the process of identifying the numbers and the logic behind them.
Use this opportunity to revisit the project and check old compromises; take a fresh look.

Debt Collection (Ed Verburg)

The point paper is being reformatted and revised.
It will be ready for the next meeting.

Message for the President (George Muñoz)

We want to follow-up on the President's theme of reducing the burden to small business owners and the American taxpayer.
We don't need a press release, but a short speech by the President that would begin with something like, "People have long complained about the ...."
Public Affairs could then work with the White House to fashion a press release.

NPR Involvement (George Muñoz)

We still don't know which of the two (Fed/State or STAWRS) will receive the primary focus at the June 9 event.
Do we know what the NPR wants to focus on?
What is the status of the FUTA issue?
Could possibly roll FUTA in with STAWRS message.
Dan Neal, the NPR Small Agency Team Leader, was supposed to attend today's meeting.
We need input from NPR to assist in finalizing preparations for the event.

Q & A

Bryant	Would you like to have an MOU signing at the event between Treasury and the Department of Labor?
Muñoz	Yes. Let's add this to the next meeting's agenda under *Logistics*. We need to discuss the signing, props, and who to invite.
Whitehead	In conversations with the advocate for small business, found out that they are pushing for more consolidated filing. Where is STAWRS going with this issue?

It's Treasury's role to reel-in small businesses.
Greg Woods, NPR Customer Service, would also like more information in this area.

Muñoz — We need to add another item on the agenda for the next meeting - *Other Stakeholders*.
Be prepared to discuss who we might need to invite to the ceremony as representatives of small business (i.e. SBA Advocates, Trade Assoc., Members of Congress, etc.).

<u>Next Steps</u> (George Muñoz)

Schedule a meeting for Thursday, June 1, at 2:00PM.
Agenda items:
- Point Papers - Revisions, and Short-Term Deliverables
- Message for the President
- Logistics
- Other Stakeholders
- Next Steps

Revise and reformat point papers using IRS model.
Bill and Scott will take a close look at expenditures for STAWRS, remembering that the June 9 Presidential announcement is the last word.
Al will work with OOI to develop a DRAFT speech for the President.
OTR owns the process of facilitating these meetings.

MEETING TO DISCUSS
REGO II EVENT
WITH THE PRESIDENT AND VICE PRESIDENT
June 2, 1995
9:30AM
Room 1457, Main Treasury

AGENDA

1. Point Papers - Revisions, and
Short-Term Deliverables

- STAWRS
- Federal/State Partnership
- Debt Collection

2. Message for the President

- Speech/Press Release

3. Logistics

- Memorandum of Understanding Signing
- Props
- Invitations (Guest List)

4. Other Stakeholders

5. Next Steps

MINUTES FROM MEETING TO DISCUSS
REGO II EVENT WITH
PRESIDENT AND VICE PRESIDENT
June 2, 1995

Purpose:

To discuss Treasury's strategy and plan for presenting NPR Phase II "Bold Ideas" at the June 9 meeting with the President and Vice President.

List of Attendees:

Treasury Department	Internal Revenue Service	NPR
George Muñoz	Bob Wenzel	Mary Mozingo
W. Scott Gould	Oliver Robinson	
Ed Verburg	Mike Danilack	
David Vandivier	Beverly Monaco	
Bill Chou	Bill Lovelace	
Steve Bryant		
Becky Lowenthal		
James Coleman		
Lowell Dworin		
Chris Peacock		
Chris Egger		
Tony Fleming		
Edd Barnes		
Al Arena		

Point Papers - Revisions, and
Short-Term Deliverables

STAWRS

Paper now has a vision statement, guiding principles, short-term deliverables and cost data.

Steve Bryant stated that by the end of '96, the electronic submission piece will be fully implemented.

Mary Mozingo said that will be too late. We need to have deliverables prior to the election.

Steve Bryant said that W-2 electronic filing will be in place by February '96. Want to pilot with South Carolina and Minnesota.

George Muñoz instructed Public Affairs to wordsmith the paper so that the President can extract information for his speech.

George Muñoz said that the President will announce the FUTA partnership between DOL and Treasury, and is going to commission a study of the project.

Mary Mozingo said that since we're now linking FUTA with STAWRS, we have to make changes, not just commission another study.

Scott Gould suggested that we link the FUTA study with the '97 budget process; want to be consistent with the GPRA request; no acronyms please.

George Muñoz felt that internally we need to consider the logistics of how we're going to do this.

George Muñoz wants a sign-off on what we feel comfortable with being able to accomplish with STAWRS; ask yourself if the purpose is critical; will harmonization of tax codes impact business?

Beverly Monaco explained that the prototype with 2 states is critical to the project's success; the problem with harmonized wage codes is the disconnect between Federal and State definitions and exceptions.

George Muñoz explained that we want to optimize the harmonization issue; soften it; take one more cut at the STAWRS paper; expand the short-term deliverables and try and estimate the burden on employers.

George Muñoz wanted to know if we could demonstrate STAWRS at the June 9 announcement; MOU signing not enough.

Bill Chou said we can't have a demo before the end of December.

Federal/State Partnership

Beverly Monaco said that IRS is still uncomfortable with the single filing concept; they want to show the larger picture.

She suggested a visual that would show all parties competing for taxes, then show a linkage of these working together to better serve the public.

Beverly Monaco said that the *Barriers* section of the paper shows what we still need to do; we need legislation to move ahead, but it hasn't been introduced yet.

There are 2 versions of the legislation:

- "Peter Rabbit" version (short)
- Version as written by IRS (preferred by IRS)

If passed, would provide a framework for "one-stop service centers", joint examinations, joint distribution of forms and publications, shared workloads and coordinated efforts to assist newly formed small businesses.

Mary Mozingo wanted to know if we could have the President hold up the legislation as a showpiece?; how can we get it on a fastrack?

Scott Gould is to get with legislative affairs to develop a strategy for passage.

George Muñoz wants a Democratic Governor to convey the message that the Feds are working in partnership with States to reduce taxpayer burden; partnership is not about "big brother"; Colorado is first choice, Indiana second.

George Muñoz tasked Chris Peacock (Public Affairs) with investigating possibilities of a satellite broadcast of the event, since DOL, SSA, and a governor are also invited; want to tailor the story for commercial distribution.

Also need Public Affairs to "cleanse" the point papers; highlight 5 year savings figures; lump totals to show burden reduction; coordinate this effort with Scott Gould.

Debt Collection

Ed Verburg said that the legislation is circulating for final approval; scoring is almost complete (comparing tapes with IRS/FMS records).

George Muñoz said that we won't highlight this one, but it is one of the 7 "bold ideas"; Public Affairs needs to rework the paper, tone it down; the dollar amount is at issue; the vision is well articulated.

<u>Press Release</u>

George Muñoz shifted responsibility for the President's speech to the IRS Public Affairs Office; they're going to make the "first cut" for STAWRS and Fed/State, using bullets that can be extracted by the President's speech writer; need an accompanying "fact sheet".

MOU Signing

This is high priority; already signed-off by Treasury.

George Muñoz suggested that we have a small business person participate in the signing as a witness; we're inviting the Secretary of Labor and Social Security, along with the IRS Commissioner.

Beverly Monaco reminded us that the small business representative and the Governor would have to go through a heavy clearance process; don't want the President embarrassed.

George Muñoz also would like to have an orientation session for the small business person so they know what's expected of them at the signing ceremony.

Next Steps (June 6)

Schedule the next meeting for Tuesday, June 6, at 9:15AM.

Will invite representatives from Treasury Legislative Affairs, DOL, SSA, and also a member of the White House Press Group (speechwriter).

All point papers to be revised.

Communications plan from Public Affairs (satellite possibilities).

MEETING TO DISCUSS
REGO II EVENT
WITH THE PRESIDENT AND VICE PRESIDENT
June 6, 1995
9:15AM
Grant Room, Main Treasury

AGENDA

1. Point Papers - Revisions, and Short-Term Deliverables

   - STAWRS
   - Federal/State Partnership
   - Debt Collection

2. IRS Legislative Package
   - "Peter Rabbit"
   - Expanded Text

3. Message for the President

   - Speech/Press Release

4. Logistics

   - Memorandum of Understanding Signing
   - Props
   - Invitations (Guest List)
   - Satellite Communications

5. Other Stakeholders

6. Next Steps

cc:

George Muñoz
W. Scott Gould
Tony Fleming
Ed Verburg
Erik North
Bob Wenzel
David Vandivier
Oliver Robinson
Bill Chou
Steve Bryant
Becky Lowenthal
Mike Danilack
Beverly Monaco
James Coleman
Lowell Dworin
Chris Peacock
Chris Egger
Bill Lovelace
Edd Barnes
J. Paul Whitehead
Clara Apodaca
Julie Huffman
John Murchinson
David Dreyer
Frank Keith
Mary Mozingo
Patrick Morris
Dan Neal

draft 6/8/95 5:00 pm

REMARKS BY PRESIDENT WILLIAM JEFFERSON CLINTON
REDUCING BURDENS ON SMALL BUSINESSES
TREASURY DEPARTMENT
JUNE 9, 1995

[Acknowledgements: Paul Condit, introduction; Vice President Gore; Secretary Rubin; Commissioner Chater; Commissioner Richardson; Deputy Secretary Glynn, and friends.]

I want to thank Paul Condit for his vivid explanation of the problem faced by so many small businesses. I'm sure he'd like to take one of his John Deere tractors and just plow all the unnecessary paperwork away. But, his tractors were built for farming, not for clearing away excess paperwork. The government created his problem, and it's up to the government to solve it.

I ran for President because I wanted to make government work better ~~for the American~~ people. I believe we need a government that shrinks bureaucracy and increases opportunity. One that empowers people to make the most of their own lives. And one that enhances security at home and abroad.

The key to our future is to create more opportunity, but also to have all of us assume more responsibility. That's what all of you are doing. Business is the engine that powers the American Dream. And small business is truly the backbone of our economy. Small businesses employ more than 60 percent of our people, and create more than half of what we sell. So, we owe it to you to make sure government is a partner, not an impediment. SBA Conf.

That's why I created the National Performance Review and put Vice President Gore in charge. For the past two years, he and his team have made remarkable progress in improving the way government serves the American people. ~~We have dra~~matically ~~reduced the size of government -- eliminating more than 100~~,000 positions. We have cut bureaucracy and red tape. We have streamlined and consolidated services. A few weeks ago, I signed the Paperwork Reduction Act to ease the paperwork burden throughout the Federal government. But, we must do more, especially for businesses. 270K

That's why we're here today. Paul Condit is not alone. We continually hear from businesses about the cost of complying with government rules. For years, small and big businesses have been telling Washington to "get real" about the absurd, frustrating, and costly paperwork burdens that have been placed on you. You've been sending the same wage and tax information to a number of different government agencies so they could each have their own special report. It has been very convenient for the government. Now it's government's turn to be convenient for business owners.

622-1260-Richardson

I have asked the Department of Treasury, specifically IRS, and the Department of Labor, along with the Social Security Administration to form a partnership to cut through this mountain of paperwork. The Department of Treasury has taken the lead by spearheading the Simplified Tax and Wage Reporting System. As a result of their work, today we are announcing a plan ~~to eliminate~~ that should lead to the elimination of the need to file W-2 data in multiple places. You will only need to file once and you will have a single point of contact for customer service. This will save time. This will save hassle. This will save money -- almost $1 billion annually. When we free you from the burden of paperwork, you can do what you do best -- create jobs, opportunity, services and products for the American people.

In addition, I will be sending legislation to Congress that will remove the legal barriers that keep Federal and State agencies from working together in a common sense way to ease the paperwork burden on all taxpayers.

If you are like most taxpayers, you currently have to fill out both a Federal and a State income tax form. And depending on where you live and work, you might also have to do a city income tax form.

Most of the information on the state and city forms is a repeat of what's on the Federal form. So, with some teamwork and ~~modern~~ tax system modernization technology, the Federal government is going to create partnerships with state and city governments to eliminate the need for duplicate filings. ~~We envision a Federal/State~~ There were 29 joint ~~electronic filing system that~~ allows ~~taxpayers to~~ satisfy both their Federal and State filing requirements with a single electronic transmission. Twenty-nine states participated in ~~joint electronic filing in 1995, with~~ More than 1.5 million returns filed. Next year ~~We are expanding the progr~~am to 32 states ~~in~~ 1996. ~~The Treasury Department~~ estimates that with participation by 20 percent of states, by the year 2000, we can reduce the burden to taxpayers by $1.5 billion and ~~increase revenues by $315 million.~~ save the government millions of dollars in the process

already in 29 States taxpayers can are going to be participating

My Administration will clear away the barriers to partnership with State and local governments. I invite governors and mayors across the nation to join us in ~~achieving single reporting for all businesses, and single filing for all taxpayers~~ having businesses and taxpayers file their info only once! This is the right way to fix government -- to redesign it to better serve citizens in partnership with states and cities.

This is the kind of service you should expect from a modernized tax system -- a system that is designed for your convenience. That is what government reinvention is all about -- making government work better and cost less for you.

I would now like for Treasury Secretary Rubin, Deputy Labor

are they taking briefing paper.

Secretary Glynn, SSA Commissioner Chater, and IRS Commissioner Richardson to come up and sign a pledge to work toward those goals.

[Rubin, Glynn, Chater, and Richardson sign the pledge]

And, now I'd like to ask Paul Condit, as small business owner and taxpayer, to sign as a witness.

[Paul Condit signs and stands with President for photo]

DEPARTMENT OF HEA…

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622 - 1996
~~Elliott Brenner~~

622-1999 - Close

Elliott
Eliot Brenner
Jasmeet Seehra
5-5167

draft 6/8/95 1:00 pm

REMARKS BY PRESIDENT WILLIAM JEFFERSON CLINTON
REDUCING BURDENS ON SMALL BUSINESSES
TREASURY DEPARTMENT
JUNE 9, 1995

[Acknowledgements: Paul Condit, introduction; Vice President Gore; Secretary Rubin; Commissioner Chater; Commissioner Richardson; Deputy Secretary Glynn, and friends.]

I want to thank Paul Condit for his vivid explanation of the problem faced by so many small businesses. I'm sure he'd like to take one of his John Deere tractors and just plow all the unnecessary paperwork away. But, his tractors were built for farming, not for clearing away excess paperwork. The government created his problem, and it's up to the government to solve it.

That's why we're here today. Paul Condit is not alone. ~~The average company in this country spends xx for every one of its employees just to comply~~ with government rules. ~~The cost is~~ far ~~worse for small companies. Businesses with fewer than 5 employees spend over xx per employee every year figuring out the rules and filling out the forms.~~ Eighty percent of the Federal paperwork burden ~~involves sending wage and tax information in duplicate and triplicate and quadruplicate reports to Federal, State, and local agencies~~.

We continually hear from businesses about the cost of complying

For years, small and big businesses have been telling Washington to "get real" about the absurd, frustrating, and costly paperwork burdens that have been placed on you. You've been sending ~~the~~ duplicate and triplicate and quadruplicate same information to a number of different government agencies so they could each have their own special report. It has been very convenient for the government. Now it's government's turn to be convenient for business owners.

I have asked the Department of Treasury, specifically IRS, and the Department of Labor, along with the Social Security Administration to form a partnership to cut through this mountain of paperwork. The Department of Treasury took the lead by spearheading the Simplified Tax and Wage Reporting System program. As a result of their work, we are today announcing a plan to eliminate the need to file W-2 data in multiple places. You will only need to file once and you will have a single point of contact for customer service. This will save time. This will save hassle. This will save money -- almost $1 billion annually. We want to free you from the burden of a mountain of paperwork so you can do what you do best -- create jobs, opportunity, services and products for the American people.

In addition I will be sending legislation to Congress that will remove the legal barriers that keep Federal and State agencies from working together in a common sense way to ease the paperwork

Comes from the Treasury Department
Add to that the fact that ~~[illegible]~~ wage & tax info is sent ~~in duplicate & tripate to state & local agencies as sent.~~ not only to the IRS but to other Federal agencies & to state & local agencies as well.

burden on all taxpayers.

If you are like most taxpayers, you currently have to fill out both a Federal and a State income tax form. And depending on where you live and work, you might also have to do a city income tax form.

Most of the information on the state and city forms is a repeat of what's on the Federal form. So, with some teamwork and modern technology, the Federal government is going to create partnerships with state and city governments to eliminate the need for duplicate filings. We envision a Federal/State joint electronic filing system that allows taxpayers to satisfy both their Federal and State filing requirements with a single electronic transmission. Twenty-nine states participated in joint electronic filing in 1995, with more than 1.5 million returns filed. We are expanding the program to 32 states in 1996. The Treasury Department estimates that with participation by 20 percent of states, by the year 2000, we can reduce the burden to taxpayers by $1.5 billion and increase revenues by $315 million.

This is the kind of service you should expect from a modernized tax system -- a system that is designed for your convenience. That is what government reinvention is all about -- making government work better and cost less for you. And let me say that the Department of Treasury and the Department of Justice have demonstrated the worth of teamwork to improve results with the indictment of major Cali Cartel figures in Miami a few days ago.

The measures we are taking today, will build on the success of this and other reinvention efforts. My Administration will clear away the barriers to partnership with State and local governments. I invite governors and mayors across the nation to join us in achieving single reporting for all businesses, and single filing for all taxpayers. This is the right way to fix government -- to redesign it to better serve citizens in partnership with states and cities.

I would now like for Treasury Secretary Rubin, Deputy Labor Secretary Glynn, SSA Commissioner Chater, and IRS Commissioner Richardson to come up and sign a pledge to work toward those goals.

[Rubin, Glynn, Chater, and Richardson sign the pledge]

And, now I'd like to ask Paul Condit, as small business owner and taxpayer, to sign as a witness.

[Paul Condit signs and stands with President for photo]

DRAFT 6/7/95 2:30 P.M.

PRESIDENT WILLIAM J. CLINTON
REMARKS TO WHITE HOUSE CONFERENCE ON SMALL BUSINESS
WASHINGTON HILTON, WASHINGTON, D.C.
JUNE 12, 1995

Acknowledgments tk.

I am proud to convene this 1995 White House Conference on Small Business. This is an important moment in history, since only three such conferences have been held since our nation was founded, and this is the last one of the 20th century. I thank the members of Congress and the American citizens of both parties who helped make today possible.

In the past, these conferences have produced landmark legislation -- from the Paperwork Reduction Act to the Regulatory Flexibility Act. I am determined that this year we will add even more luster to that record. To do that, we have been listening to you. The reforms I want to talk with you about today grow out of the ideas and recommendations you've shared with us at the state conferences this past year. I hope you'll be as pleased as I am with what your hard work and good advice has helped us achieve.

As civilized as things look out there today, this conference has had quite a past. You know as well as I do that owners of small businesses have minds of their own. There was actually a trial run for this conference back in 1938 -- under President Roosevelt, and it was held at the Commerce Department. Just after the morning session started, the participants became so argumentative that Commerce Department guards had to be called in to quiet things down. An inventor from Philadelphia became so rowdy that D.C. police had to remove him from the room, put him in a "hammerlock," give him a "finger-twist," and assign three officers to keep him quiet.

I guess you can understand why they gave these conferences a rest. Today's entrepreneurs are still mavericks, just as unlikely to run in a herd as their counterparts were 50 years ago. But fortunately, they're somewhat less unruly. I'm betting you all will make it at least to the lunch break.

One thing no one here is going to argue about -- one belief we all share -- is that there is no such thing as a **small** business. No business, regardless of the number of employees, ever feels small. If you're trying to make the finest products and offer the best services around, if you're taking care of the millions of details your business depends on to thrive -- well, then it seems like the biggest enterprise imaginable.

You all know that there are unique rewards that can come only from building your own business. You all know, too, that there are times when it feels as if the weight of the world is on your shoulders. That's why I've worked so hard during the last two years to make your burden lighter -- to make it easier for you to focus on the business of growing your business.

When I came to Washington, our administration dedicated itself to sparking a broadbased economic recovery. We knew we needed to get our fiscal house in order and reduce the deficit. We knew we needed to invest in the skills of our people and the technologies of the future. We passed NAFTA and GATT in order to open markets and create more jobs. We fought to reinvent the way government does the people's business, and to reduce its size to the smallest it has been since the Kennedy Administration.

Our hard work is paying off. To be sure, there's a great deal left to do. But you can't argue with the facts: the economy is healthy; inflation is moderate, trade is expanding; interest rates and unemployment are down. We grew 3.5 million new jobs last year. We are cutting the deficit by $1 trillion over seven years. In fact, we have reduced it for three years in a row for the first time since Harry Truman was President.

We have done our level best to make sure our growing economy is one that small business can take advantage of. This goal makes sense for you, of course, but it makes great sense for the country as well. While the big corporations get a lot of attention, let's not forget that it is small business that employs 60 percent of our people. It is small business that is responsible for creating more than half of what we produce and sell.

It makes sense for another reason, too. I look around this room and I see the promise of American life: people who decided for themselves that they were going to make the most of their God-given potential. There are people in this room today who hit their heads against the glass ceiling, and would not put up with that blow. So they went out, and started a business of their own. There are people here who ran into the cold, hard wall of racism, and would not put up with that injustice. So they went out, and started a business of their own. There are people here who got fed up with a workplace that saw them as functionaries rather than visionaries. So they went out, and started a business of their own. People in this room were determined to put themselves in a situation where their success depended entirely on their talent, their brains, and their willingness to work their hearts out to make their dreams real.

That's why it gives me such pleasure to read the numbers: more new businesses were created in 1994 than in any previous year. And more are staying alive. In the last two years, business failures and bankruptcy filings have plummeted.

We're doing everything we can to accelerate this trend. Almost every small business in America is now eligible for tax relief. We dramatically increased the amount you can deduct for equipment expenses. We extended the Research and Experimentation tax credit. We've made it easier for **all** businesses -- not just large ones -- to sell their products to the government. To help you market your goods around the world, we scrapped export controls and expanded export assistance.

Our Small Business Administration -- a leaner, more invigorated, more committed Small Business Administration -- has spearheaded all this good work. When I ran for President, I had two main goals for the SBA. Find a way to end the credit crunch for small business. And find a way to free small businesses from burdensome, outdated government regulations.

With your help and advice, we've made it infinitely easier for you to borrow money to grow your business. We revised banking regulations to encourage lending to smaller firms. These steps, combined with declining interest rates, resulted in an 80 percent increase in lending to businesses like your own.

In the last two years, the SBA has expanded the 7(a) loan guarantee program by 30 percent: from 27,000 loans in 1992 to a projected 56,000 loans in 1995. We increased the number of loan guarantees to women from 14 to 21 percent. Loans to minority entrepreneurs grew by almost 60 percent. And the program is not just bigger, it's better -- with fewer forms, faster turnaround and savings to taxpayers of $273 million.

The SBA has also been on the frontlines in reforming our regulatory system and reinventing government. At the SBA, housecleaning started at home. We consolidated field offices and shrunk the loan form from an inch to a single page.

The Vice President just told you about what we've done across the board -- from the Environmental Protection Agency to the Department of Agriculture. In fact, last Friday we announced an initiative that will allow you to report wage and tax information to one place. Instead of sending the same data to 15 different agencies, just send it to one, and we'll do the rest.

There's more good news. I'm pleased to announce that we've just made the regulatory burden lighter. Specifically, XX pounds lighter -- that's XX pages of federal regulations. Instead of worrying about these XX pages, you will be able to focus on XX ways to make your business better. You'll be freer than ever before to go about the business of growing your business.

This is the result of months of hard work. Less than five months ago I instructed our agencies to go over every single government regulation. I asked for reports on what should be cut, streamlined, and kept. They delivered. XX percent of regulations are history now. [need nutty examples here] More importantly, XX percent are being changed to make them work better.

It's the "working better" part of this process that makes me particularly proud. It's easy to junk crazy, outdated regulations. What's harder is to take useful regulations that have become tangled up over the years, and untangle them. We depend on sound regulations to make sure that our air and water are clean, that the toys our kids play with are safe, that the food we eat won't make us sick. But no one in this room should have to be driven nuts by a truck-load of forms, or caught between conflicting government rules, in order to comply with the law of the land.

I believe strongly in regulatory reform. But there's a right way to do it, and there's a wrong way. What many in the new Congress want to do is just plain wrong. They want to use regulatory reform as an excuse to roll back our proven public health and safety record. Their so-called "reforms" would stop government from being able to move a muscle to protect our people. That's not reform -- that's rigor mortis.

Far-sighted reform brings common sense back into our regulatory system without stripping away the safeguards that protect us all. It defends people, not bureaucracies; promotes results, not rules. Government can be as innovative as the best of our private sector businesses, and under my administration it will be.

Here is proof that we mean business. Today I want to announce that we are reforming the regulations governing pension plans in the United States -- and not a moment too soon.

The pension laws enacted twenty years ago with the best of intentions are now so complicated that you need a SWAT team of actuaries, lawyers and accountants to help you fill out the forms and comply with the rules. Running these plans takes so much time and costs so much that only 24 percent of small businesses have them. Most just give up. Who can blame them?

Simple, streamlined pension plans, however, are good for everyone: for small businesses, because they boost morale and give people a stake in your company; for workers, because they encourage savings, and we need to do everything we can to see to it that more Americans save for the future.

So this is what we're going to do. We are going to start a National Employee Savings Trust, a simplified pension plan for small business. Under this plan, if you guarantee your employees a certain contribution, we'll exempt you from the complex antidiscrimination rules that make sure everyone is compensated fairly.

Same for the smallest businesses -- those with 100 or fewer employees. In exchange for guaranteed contributions to employee-managed IRAs, we'll free you from the burden of antidiscrimination testing.

We're going to stop punishing families from working together by getting rid of the family aggregation rule. This rule, which treats family members as a single entity, dishonors the hard work of individuals, and is a drag on that great American institution: the family business.

There is currently a seven-part test to determine whether or not someone is a "highly compensated employee." That's nuts. All we need is a simple definition: a highly compensated employee either owns 5 percent of the business or is paid more than $80,000 a year. Easy as that.

We can do all this without opening the system to abuses: many of the rules we're getting rid of were duplicates. Safeguards for fair play are still in place.

There's much more to this reform, but the bottom-line is this: pensions for you and your employees, simpler math, shorter forms, more dollars devoted to the life-long well-being of all Americans.

That's good for you, it's fair to your hard-workers, it's great for business. And, to paraphrase a predecessor of mine, one who never had the pleasure of convening a Small Business Conference, what's good for small business is good for America. We made promises to you. And we're meeting them. Stay tuned.

Thank you and God bless you.