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IR-2003-84, July 2, 2003

WASHINGTON — The Internal Revenue Service today announced a closing agreement with Ernst & Young, LLP, resolving issues relating to an examination of Ernst & Young's compliance with the registration and list maintenance requirements regarding the firm's marketing of tax shelters. The agreement requires Ernst & Young to make a non-deductible payment of \$15 million.

In addition to the payment, Ernst & Young has agreed to work with the IRS to ensure ongoing compliance with the registration and list maintenance provisions of the Internal Revenue Code and regulations. To this end, Ernst & Young will implement a Quality and Integrity Program to ensure the highest standards of practice and ongoing compliance with the law and regulations. The IRS may, upon its request, review documents prepared as part of this program.

"We are pleased that Ernst & Young has cooperated fully with the IRS in resolving these matters," said IRS Commissioner Mark W. Everson. "In particular, the ability of the IRS to review the firm's compliance on an ongoing basis will help to reduce the likelihood of future violations of the registration and list maintenance requirements. This represents a real breakthrough and is a good working model for agreements with practitioners."

"This agreement constitutes a significant development in our continuing efforts to identify potentially abusive tax transactions," said Everson.

The examination is one of over 90 investigations the IRS has opened of professional service firms.

The closing agreement included a disclosure authorization that allowed the IRS to issue this release. Section 6103 of the Internal Revenue Code strictly limits the IRS in disclosing taxpayer information.

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