



Opening Statement of Sen. Chuck Grassley  
Hearing, “Filing Season Update: Current IRS Issues”  
Thursday, April 15, 2010

As may be appropriate for tax day, we will be learning a lot of numbers during this hearing. There are the billions of dollars of refunds, millions of returns processed, and millions of phone calls received by the IRS. There are the millions of individuals who filed for the homebuyer and making work pay credits – and millions of dollars in errors with those credits. Then there is the \$12 billion IRS budget and the almost half billion dollar requested increase for fiscal year 2011.

However, what we are not hearing anything about is the billions of dollars – and thousands of employees -- IRS will need to implement health reform. I first raised this issue in a letter six months ago to Secretary Geithner and Commissioner Shulman. The response back to me was that Treasury and IRS wouldn't have estimates until legislation was enacted. Well, the House passed its bill last fall and the Senate passed its bill on Christmas Eve – over three months ago now. While the final bill wasn't signed into law until last month, the provisions did not change much so it's not clear why we still don't have estimates on the dollars and people needed by the IRS to implement health reform.

Meanwhile, CBO has estimated that IRS will need between \$5 billion and \$10 billion over ten years to implement health care reform alone. So it doesn't take into account any other legislation Congress may pass. What's troubling about this anticipated growth of the IRS is that it is not all related to the IRS' mission – the collection of revenues to fund the operations of the federal government. What's more, we in Congress, in the landmark IRS Restructuring legislation of 1998, directed the IRS to revise its mission statement to “provide greater emphasis on serving the public and meeting the needs of taxpayers.” Health care reform provisions require the IRS to make sure that every individual has health insurance.

IRS employees will have to become experts in calculating a very complex subsidy for those who are eligible to receive financial assistance for purchasing health insurance. IRS employees will also have to verify subsidy eligibility by sharing income information with federal, state and other entities, including the new exchanges. And it is likely that IRS won't have the necessary information since subsidy eligibility is based on household income – which is not taxable income. These are just some of the provisions impacting an individual's interaction with the IRS – there are many more that impact a business's interaction with the IRS which I won't get into here.

The earned income tax credit (“EIC”) is the largest social spending program administered by the IRS. This program also unfortunately has one of the highest fraud and abuse rates of any tax provision out there. While IRS has steadily reduced the fraud in this program, knowledge of, and outreach to, the eligible populations have been huge challenges for the IRS. A former IRS assistant commissioner said it best – and I quote: “These kinds of programs require social welfare expertise. IRS agents are not recruited or trained to do that well. The IRS record is mixed and sometimes abysmal with regard to effectively administering these kinds of programs.” Ms. Olson also indicates in her testimony today that the IRS is not keeping up with the needs of low-income taxpayers.

Experience with the EITC teaches us that a social worker with a calculator and green eye shades should be a job description at the Department of Health and Human Services – not the IRS. The IRS already struggles to stay on top of its core mission. IRS should be training its employees to combat complex tax evasion schemes and to improve customer service instead of administering social programs – at which the IRS has historically failed. Taxpayers trying to do the right thing regarding their tax responsibilities shouldn’t have to be put on hold – or have to call back -- because the IRS is now answering questions about health insurance.

Mr. Chairman, I thank you for holding this hearing. I also would like to thank the witnesses in advance for being here. I look forward to discussing my issues and concerns with them.