

Congress of the United States

House of Representatives

COMMITTEE ON OVERSIGHT AND REFORM

2157 RAYBURN HOUSE OFFICE BUILDING

WASHINGTON, DC 20515-6143

MAJORITY (202) 225-5051
MINORITY (202) 225-6074
<http://oversight.house.gov>

Opening Statement

Chairman Gerald E. Connolly (D-VA)

House Committee on Oversight and Reform, Subcommittee on Government Operations

Hearing on “IRS in the Pandemic”

Wednesday, October 7, 2020

The Internal Revenue Service (IRS) collects more than \$3.5 trillion in taxes, roughly 95 percent of the federal revenue, and manages the distribution of more than \$370 billion in refunds each year. The revenue the IRS collects for the federal government funds critical programs and benefits like Social Security, Medicare, and veterans’ health services. The billions of dollars in refunds distributed to taxpayers each year is a lifeline for many Americans — especially for those living below or near the poverty line.

The IRS is a critical agency that we turned to in the nation’s hour of dire need. Today’s hearing will examine how that agency was ill-prepared to meet those needs. We will look at how decades of deliberate starvation of the IRS prompted a dire financial situation and left an agency with what one commissioner referred to as a “prehistoric” IT infrastructure. And we will show how a decade of attrition hindered the IRS’s ability to meet the complex needs of our nation during unprecedented pandemic and economic collapse.

This past year has highlighted just how many individuals rely on the IRS. In addition to administering the 2020 tax filing season, the IRS was also tasked with distributing emergency economic impact payments, or stimulus checks, to millions of Americans.

The IRS had to manage the effects of the pandemic while it was simultaneously expected to mail nearly 170 million additional stimulus checks to Americans in need. Years of IT-system neglect and a failure to modernize legacy systems that date back to the Kennedy presidency prevented the agency from effectively transitioning to virtual operations. Like many agencies, the IRS sought to find ways to keep its workforce safe while continuing to meet its mission. But it didn’t stand a chance. It’s gutted workforce and anachronistic IT systems were simply not enough.

The pandemic forced the IRS to shut down many of its core operations across the country, including taxpayer phone lines and walk-in centers. The agency largely abandoned taxpayers — many of whom are my constituents — at a moment of great confusion and concern.

As I’ve noted, the IRS’s operational challenges did not happen overnight. As shown in these tables on the screen, since 2010, the Republican-controlled Congress ransacked the IRS’s budget and the agency was forced to reduce its workforce by 22 percent — or 20,000 full-time employees.

These significant and repeated budget cuts forced the IRS to make difficult resource allocation tradeoffs. Leaders had to choose among providing quality customer service to taxpayers, enforcing tax laws, and updating IT systems.

The severe financial, technical, and staffing problems at the IRS are a direct result of years of partisan hostility, reckless investigations, and unwarranted budget cuts from Republican majorities in Congress. And today, when the American people are relying on the IRS the most, the agency is gasping for air.

While our witnesses will testify that the IRS did what it could with the available resources, it's what didn't get done that is really troubling. It's the millions of taxpayers who were unable to get their refunds because they filed a paper return. It's the millions of tax returns that hit a snag and the corresponding taxpayers couldn't get assistance because IRS call centers were closed. It's the 9 million people who have yet to receive their stimulus checks, primarily because the IRS does not have their information because their income is so low they don't qualify to file a return. These are our nation's most vulnerable. We have a duty to help.

Millions of people who desperately rely on the IRS to receive much-needed financial assistance to pay for medical care, groceries, or housing, are still waiting for their refunds and stimulus checks. These are people like my constituent, Joseph, who did not receive his 2018 tax refund until February of 2020 because his wife passed away and the IRS held up his return to get more information. The same issue, which the IRS promised Joseph would not be a problem again, plagued his 2020 tax return, which still has not been processed. I ask that we insert into the hearing record a statement from Joseph about his continued concerns with the IRS.

Another constituent of mine, Karen, filed electronically back in March and still has not received her refund. She has called the IRS multiple times and the advice she receives is to "just wait." People cannot afford to "just wait". They need this financial assistance **now**. Together, we are fighting a pandemic and an economic collapse. We deserve an IRS that can help us in that fight.

It's also important to point out that the Republican budget cuts to the IRS have burdened our nation's poor in another way. When the IRS collects taxes each year, it relies heavily on taxpayers to report their income and calculate the amount of tax they owe. Most poor people, in fact 99 percent of them, do. Some taxpayers, however — often the most wealthy among us, including potentially the current President of the United States — fail to properly pay their taxes. They hide earnings, claim dubious deductions, and litigate agency audit findings. Since 2010, as a direct result of Republican budget cuts, the IRS has done less to enforce tax laws. If you take a look at the chart on the screen, you'll see that between 2011 and 2019, the percentage of individual income tax returns it examined dropped by half.

The weakening of these vital oversight efforts harms both taxpayers and public confidence in our tax system. It does, however, help the wealthy and encourage even more of them to skirt and cheat our tax system.

I was pleased with reports on Monday indicating that the IRS is finally investigating allegations of criminal tax fraud at the National Rifle Association. I have long led congressional efforts asking the IRS and the Department of Justice to investigate the NRA and its CEO Wayne LaPierre.

According to studies out of the University of Pennsylvania, by simply beefing up the auditing capacity of the IRS to allow for more oversight of the super wealthy — those claiming more than \$10 million in adjusted gross income — our government would collect more than \$7.5 trillion over the next decade. Because that's the size of the tax gap that the wealthy — who fear little consequence from a beleaguered IRS — have left in our nation's coffers.

I look forward to hearing from our witnesses today on ways Congress can help support the IRS instead of politically targeting the agency and stripping it bare of resources, as has been done in the past. We also hope to ensure that the IRS's Chief Information Officer and CIOs around the federal government play a pivotal role in developing and meeting agency performance goals. I look forward to working with my colleagues on both sides of the aisle towards legislation that does just that. I hope this hearing will garner the evidence and justification needed for Congress to build back the agency that has been so unjustly ravished over the last decade — and so it is prepared to help struggling Americans who are in dire need of assistance right now.

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Contact: Aryele Bradford, Communications Director, (202) 226-5181.