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Hatch Statement at Finance Committee Hearing on the IRS's Budget Request

WASHINGTON – Senate Finance Committee Chairman Orrin Hatch (R-Utah) today delivered the following opening statement at a hearing examining the Obama Administration's Fiscal Year (FY) 2017 budget request for the Internal Revenue Service (IRS):

Today, the committee welcomes the Commissioner of the Internal Revenue Service, John Koskinen. Commissioner Koskinen comes before us this afternoon to discuss his agency's operations and President Obama's budget proposal for Fiscal Year 2017.

Commissioner Koskinen, today's hearing is the fourth time you've appeared before this committee during my chairmanship. Over the past year, we've seen both progress and setbacks at the IRS.

As you well know – and as I think everyone here knows – I tend to be first in line to challenge and critique your agency when I believe it is in the wrong. But, for today, I'd like to change things up. Let me be the first to offer praise for the IRS where it is due.

Here are some successes I'd like to acknowledge:

Last Spring, this committee launched an investigation of the online tax return software industry. We were looking specifically at how the industry deals with stolen identity refund fraud and to what level the industry cooperates with the IRS to combat that fraud. In the wake of our investigation, the IRS and industry leaders launched a Security Summit and agreed to new initiatives to prevent and counter fraud. I want to applaud these efforts and I look forward to continuing the Committee's oversight of its implementation and results.

Let me mention one more.

Last year, this committee issued a report following a two-year bipartisan investigation of the IRS's treatment of organizations applying for tax exempt status. Our report included a number of recommendations for changes at the IRS, and, as of right now, all signs indicate that the agency is taking appropriate steps toward implementing those recommendations. I appreciate your ongoing work there as well and am grateful for your responsiveness.

There is, of course, more to be done and I look forward to working with you to ensure that taxpayers are never again targeted because of their political beliefs.

While these are all signs of progress, a number of great challenges still lie ahead. The most obvious challenge facing the IRS is the need for modernization.

On the one hand, the agency must be brought into the digital age in a way that provides the greatest convenience and efficiency for taxpayers. But on the other hand, the agency must also better protect against data thieves that thrive in the digital age.

We were reminded of these risks last year when data thieves breached the IRS's own website through the Get Transcript portal and successfully stole the tax records of 330,000 taxpayers. That is 330,000 taxpayers who now have their most sensitive tax information sitting out there in the hands of criminals waiting to use that information to do further damage this tax year, or the next, or even ten years from now. We were reminded of this threat yet again just yesterday, when news broke of another large-scale attack against the IRS, but thankfully it appears that the attack was unsuccessful. The Get Transcript breach is going to haunt us for years to come, and, unfortunately, it's only one of many.

On the customer service front, we look forward to hearing more about the IRS's comprehensive "Future State" plan to modernize how taxpayers interact with the agency. I applaud this initiative, but I will be watching very closely to see how it is carried out and how it impacts taxpayers.

Once again, modernization is probably THE central challenge facing the IRS and it requires a careful balance of sometimes competing priorities. Much hangs in the balance of how these efforts are carried out. Another issue I look forward to hearing about today is a provision of the recently enacted FAST Act – specifically, the provision dealing with the inactive tax debt collection program.

As noted in the conference report to the bill and as we'll hear today from Senator Grassley and perhaps others, Congress's intent was that Treasury and the IRS would expeditiously implement the provision by utilizing private collection contractors and debt collection centers that are approved by the Bureau of the Fiscal Service at the Department of Treasury.

Further, the statute requires that contracts be entered into and signed within three months after enactment of the FAST Act. That deadline of March 4th is fast approaching. So, I look forward to hearing an update today on your efforts to get those contracts signed and cases released and to ensure that taxpayers are made aware of the program and how it will be implemented.

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