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Hatch Opening Statement at Finance Hearing on Administration's IRS Budget Request

IRS Acting Commissioner Kautter Testifies

WASHINGTON – Senate Finance Committee Chairman (R-Utah) today delivered the following opening statement at a Finance Committee hearing to consider the administration's Fiscal Year (FY) 2019 budget request for the Internal Revenue Service (IRS). The hearing will include discussions about the agency's critical role in implementing tax reform.

We're gathered here for the second time today to talk once again about the President's proposed budget for Fiscal Year 2019. We are grateful to have Mr. David Kautter, the acting IRS commissioner here today to talk specifically about the President's proposed budget for the IRS.

Mr. Kautter has served admirably in this capacity. He's filled two critical roles with the administration during the busiest time the tax policy world has seen in decades.

This is no easy task.

Mr. Kautter deserves our thanks for serving with such distinction.

Now, some of my colleagues may tune me out for the next several minutes, as they've already heard me talk effusively about the success of the new tax reform law. But, I hope people are listening, because there's been quite a bit of good news lately. Any major change to the tax system should be evaluated on the merits, whatever they may be. And, by and large, we are seeing great things from tax reform.

Some have argued that our tax reform bill, which provides middle-class tax relief and lowered taxes on job creators, benefits only the rich or the high-ranking officers of greedy corporations. Others tend to vilify companies' statements about their capital structure, including dividend payments, indebtedness, or share buybacks, as things that benefit only the wealthy stockholder or investor.

Yet, quite often, a business's success or bottom line results in increased valuations of middle-class retirement accounts and pensions. In fact, our private retirement system has been the biggest generator of middle-class wealth in our nation's history. And, because more than one third of all corporate stock holdings in the United States are in various forms of retirement accounts, growing businesses contribute directly to the expansion of that middle-class wealth.

So, yes, with lower corporate tax rates and other reforms to our business tax system, we have seen some immediate success as hundreds of major companies have publicly announced their plans to raise wages, distribute bonuses, or boost employee 401(k) contributions. At the same time today's success is helping to improve the retirements and investments of millions of middle-class Americans.

I'd say that's a good thing.

That said, despite all of this good news, we still have a great deal of work to do to ensure that the tax law is implemented correctly. The Treasury Department, IRS, and Congress – especially the tax writing committees – have to work together to ensure that the law is implemented and administered as Congress intended.

We look forward to working with the administration, and with IRS specifically, as they continue to implement this law and issue guidance.

This committee will also be examining possible administrative reforms at the IRS, giving the IRS greater flexibility and bringing it into the 21st Century. I look forward to continued feedback from the IRS and Treasury on ways we can work to improve taxpayer services and administration.

That said, I've made no secret about my disagreements with the Internal Revenue Service over the years. I led – along with my good friend, Ranking Member Wyden – the most thorough and comprehensive bipartisan investigation of the IRS in decades. I've gone after the IRS for everything from wasteful spending to political targeting to questionable enforcement practices.

No one here needs to remind me about IRS missteps, regardless of which president or commissioner has been at the helm. But, personally, I think it's high-time that Congress reexamines its approach to the agency.

Because IRS will bear the brunt of the burden in implementing and administering the tax code and the new tax provisions, it needs sufficient personnel and resources to carry out its important mission at this critical juncture.

Let's keep in mind that the IRS is the only agency in the government that touches every single American every single year. And that's why I've pushed for such robust oversight over the years. It is also why the IRS should get the resources it needs to do its job right.

For example, the IRS is still using computer software that is older than most of my committee staff. And, you can take a look at them -- they're not all millennials.

The agency is shedding staff and resources. Agency reductions might be a good thing in some cases, but it should be done through thoughtful reforms, not the blunt axe of blind budget cuts.

The administration, in its budget, has proposed additional cuts to funding for the IRS. I think that is a mistake. While I've had quite a bit to say over the years about the allocation of resources at the IRS, now, directly after passage of a major overhaul of the tax system, is not a great time to further reduce the taxpayer services budget of the agency that will do most of the work in implementing the updated tax code.

We need to take a close look at this issue and be fiscally responsible with any solutions, but, as we do this, we should also consider what is in the best interest of proper and effective administration of our recently reformed tax code.

Before I close, I do want to note that we've noticed an executive business meeting for this time. If, at any point during the hearing, a suitable quorum is present, I intend to pause the hearing and move to votes on the nominations of Mr. Dennis Shea and Mr. C.J. Mahoney. Thereafter, we'll resume our hearing.

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