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## **Wyden Hearing Statement on Werfel IRS Nomination** *As Prepared for Delivery*

The committee meets today to discuss Danny Werfel’s nomination for IRS Commissioner. I want to welcome Mr. Werfel back to the Finance Committee, where we know him well.

I expect a large part of this hearing will focus on the IRS funding included in the Inflation Reduction Act. That’s where I’ll begin, and I want to focus on three main points.

First, for some time I’ve talked about the two-tiered tax system in America. One for firefighters, nurses and teachers, whose taxes come straight out of their paychecks. Another for billionaires and high-flyers, who to a great extent can pay what they want and when they want.

Today we’ll focus on ending the two-tiered system of enforcement in our tax laws. That’s needed today — and it’s a big part of what Democrats sought to address in the Inflation Reduction Act — because audit rates are a lot higher today for those of modest means than the very wealthy.

Second, finally, thanks to the Inflation Reduction Act, the IRS is getting the resources it needs to go after tax cheating by the big guys — the wealthy and corporations. There are members who oppose that effort, and I get that they want to deflect and distract. That’s why you’re hearing these wild, made-up fantasies about 87,000 agents armed with rifles, busting down people’s doors. If you don’t want to engage on the real issue, which is tax cheating by the wealthy and corporations, you change the channel and talk about something else.

And third, contrary to a lot of baseless attacks you hear today, improving technology and staffing up the customer service side of the IRS is a big win for law-abiding families and small businesses. In my view they’ll be less likely to face an audit thanks to the Inflation Reduction Act.

I’ll walk through those point by point, beginning with the two standards of enforcement.

Working people and the middle class today have a 99 percent rate of compliance with the tax code. Yet working families who claim the Earned Income Tax Credit are audited far more often than the wealthy.

It didn’t get that way by accident. A decade of Republican budget cuts gutted the IRS’s ability to do the kind of in-depth enforcement work it takes to make sure corporations and the wealthy are paying what they owe.

From 2012 to 2020 our economy got a whole lot bigger, but the total dollar amount of unreported taxes uncovered by corporate audits fell by nearly 60 percent. Over the last decade, audit rates of wealthy taxpayers making more than \$5 million a year fell by 90 percent.

On the other hand, the audit rate for working people didn't budge, even though the IRS was working with fewer resources. That means working Americans bore a much heavier burden.

That's where the second main point comes in. When Democrats wrote the Inflation Reduction Act, we decided it was long past time to say to big corporations and the tax cheats at the top: "Nobody is above the law, not even you."

That's why the bill included new resources for enforcement. Democrats have been clear that this funding will not go to audits of Americans who earn less than \$400,000. In fact, during the debate on the bill, Republicans actually struck legislative language from the bill that would have constructed even stronger guardrails on that issue.

For Democrats this is about going after the cheating at the top and doing a better job of collecting what the wealthy and corporations already owe. The official tax gap projection says that \$540 billion in taxes go unpaid each year. Donald Trump's IRS commissioner Charles Rettig said it could be as high as \$1 trillion. The Inflation Reduction Act funding is going to help get at that issue too.

Finally, better technology and more customer service personnel for the IRS can go a long way to relieving headaches for typical taxpayers and small businesses. For years it's been a struggle to get anybody on the phone when you call the IRS with a question.

In Spring 2021, only 11 percent of phone calls got through. Last year it was 13 percent. In the early stages of this filing season, it's up to almost 90 percent. A huge improvement.

These tech upgrades and more personnel ought to REDUCE the odds that a law-abiding family or small business faces an audit. These days, taxpayer information goes into a host of outdated systems that struggle to communicate with each other. Fixing that will help the IRS better use the information it already has. If the IRS can answer its own questions and resolve issues proactively, it's less likely that a busy parent or an owner of a local restaurant opens the mailbox one day to find a scary letter from the tax man.

With that, I want to thank Mr. Werfel for his willingness to return to public service and the IRS. I think the president made an excellent choice with his nomination. I'm looking forward to our discussion.

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