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February 17, 2022

Wyden Statement at Finance Committee Hearing on Spotlighting IRS Customer Service Challenges

As Prepared for Delivery

Once again, it's income tax filing season in America. Struggling after a decade of Republican budget cuts that have decimated its staff, technology and operations, the IRS is overwhelmed. Customer service is suffering. Enforcement against tax cheating by the rich has been hollowed out. There's a huge backlog of returns to work through.

This did not happen by osmosis. Democrats and Republicans used to agree on the importance of funding the IRS. Even Ronald Reagan— nobody's idea of a tax and spend liberal— shared that perspective. There were more employees at the IRS at the end of his term than there were at the beginning.

The cuts that have hurt customer service and enforcement against cheats started more than a decade ago. Republicans could have changed course and corrected these issues in their big 2017 tax law. They could have worked on processing to deal with the backlog, and the country would have been in better shape to deal with the stresses of the pandemic. They did not. In fact, the budget cuts continued while the tax code got more complicated.

The result is what you see today. Typical working Americans are dealing with tax filing nightmares, and wealthy tax cheats getting away with rip-offs are living the dream.

I want to tick through a few of the effects of these budget cuts. First, on customer service. According to the National Taxpayer Advocate, the IRS received a record 282 million customer service phone calls during the last fiscal year. It was able to answer only 11 percent of them.

Now there's a cottage industry popping up— companies are charging taxpayers hundreds or even up to a thousand dollars for the ability to cut the line and get through to the IRS by phone. This is an insult added to injury for typical Americans, and it's a direct result of Republican budget cuts that have broken a basic government service.

Second, on the IRS' aging technology. This committee has spent a long time discussing the decrepit I-T used by the IRS. Some of it goes back to the days of the Apollo Program. A new report from the IRS inspector general out last week provided a clear example of how failing technology costs taxpayers money.

The IRS gets a lot of mail, and some of it includes physical checks sent by taxpayers. The problem is, the machines that scan and sort that mail are out of date and unable to properly handle the envelopes that contain checks. This cost the taxpayer more than \$56 million dollars in 2021 alone because the IRS was

unable to open the right envelopes and process the payments in time. So, in the long run, failing to invest in I-T upgrades doesn't save taxpayer dollars, it costs them.

Third, on enforcement. Commissioner Rettig, a Trump appointee, has told the committee a few key facts. One is that the amount of taxes owed that go unpaid every year could be as high as \$1 trillion. Another is that the IRS is especially overmatched when it comes to cracking down on partnership schemes.

This is one of the go-to tax avoidance loopholes for the rich. Partnership rules got a whole lot more complicated under Donald Trump. The IRS, meanwhile, is able to audit only a tiny sliver of the partnership returns that come in. That's in part because there are fewer auditors working today than at any point since World War Two.

When the tax rules get more complicated and the IRS' enforcement division shrinks even more, it's no surprise that high-flyers see a green light for cheating. This simply cannot go on.

Furthermore, at a time when a lot of members are concerned about prices going up for a lot of goods and services, closing the tax gap and making sure the rich pay what they owe is a promising way to cut the deficit and fight inflation. I'd rather go that route than cut financial support for working families who are walking an economic tightrope.

A few final points before I wrap up. First, Commissioner Rettig made the right call dropping the plan to require taxpayers to use facial recognition to access their IRS data. The use of this technology raises serious concerns dealing with privacy and civil liberties, as well as built-in biases that can have a harmful impact on women, Black and Latino Americans and seniors. My view is, when you're talking about digital identity, this is sensitive I-T infrastructure that the government should not be outsourcing.

My staff and I were in contact with the IRS as soon as it became clear this facial recognition contract was causing problems, and I urged them to reconsider. The IRS made the right decision because the reality is, protecting Americans' privacy and increasing security are not mutually exclusive. Going forward, this isn't just an IRS issue because this same shady contractor and its facial recognition technology is used by 9 other federal agencies. I hope my Republican colleagues will work with me to address it there too.

I also want to welcome Erin Collins, the new Taxpayer Advocate, to her first hearing with the Senate Finance Committee. This committee really counts on the Taxpayer Advocate, and I'm pleased she's here with us today, along with all our witnesses. I know the entire committee is looking forward to working with her in the months and years ahead.

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