

**Crapo Statement at Hearing on IRS Budget**  
*April 7*

**Washington, D.C.**--U.S. Senator Mike Crapo (R-Idaho), Ranking Member of the U.S. Senate Finance Committee, delivered the following remarks at a hearing entitled, "The IRS, the President's Fiscal Year 2023 Budget, and the 2022 Filing Season."

*The text of Ranking Member Crapo's remarks, as prepared, is below.*

"Thank you, Mr. Chairman--and thank you to Commissioner Rettig for your willingness to testify today and your service.

"I appreciate your efforts to make the IRS more customer-focused, and understand that it is hard to change course in large organizations like the IRS. There is a need to change course, but I do not believe the Administration's outsized, partisan approach is the solution.

"For the third filing season in a row, taxpayers confront vexing customer service challenges as they attempt to fulfill their tax filing obligations. With tens of millions of 2021 tax returns still to be filed, the most recent data we have on this year's season is concerning, highlighting longstanding issues the IRS has not adequately addressed.

"For example, more than 60 percent of the millions of items of taxpayer correspondence and amended returns have sat in storage for more than three months, an increase of nearly 30 percent over last year. Average hold times for the lucky few taxpayers who reach the IRS by phone are 28 minutes, an increase of nearly 50 percent over last year.

"Scores of taxpayers have seen refunds delayed while their return is suspended for various reasons. Millions of prior-year tax returns await processing. The IRS's management of paper-filed returns is a persistent problem that the National Taxpayer Advocate recently noted goes back decades.

"By tax day this year, millions of paper-filed 2020 tax returns will not have been processed, while millions of current-year returns will likewise gather dust. Steps to prevent or minimize this disruption were not taken by the IRS--and in some cases have still not been taken.

"For example, many may not be aware that in order for the IRS to process a paper-filed return, each entry on the return is manually inputted by an IRS employee. These taxpayer-funded employees would better serve taxpayers by answering phones or responding to correspondence.

"This is not simply a problem of taxpayers choosing to deluge the IRS with paper-filed returns. In many cases, IRS forms and schedules simply cannot be electronically-filed, including where a taxpayer could e-file and attempts to do so but is rejected by the IRS's confusing digital signature process.

“This is not a funding issue. Solutions to these challenges have existed for years, but to-date have not been implemented. The IRS can further transition away from mandating any return or form to be paper filed.

“With respect to rejected e-filings--which I understand to be often caused by a taxpayer being unable to locate or recall one of two possible e-filing PINs--the IRS could implement additional means to e-sign a return. I am aware the IRS with your leadership, Commissioner, is working on this. So-called ‘2D bar codes’--much like the supermarket barcodes that have been used for decades--could eliminate the IRS’s need to transcribe paper returns at all.

“Solutions like these have been held up for years with no clear reason why, leading to results the current National Taxpayer Advocate Erin Collins calls ‘crazy.’ I agree.

“Some say that IRS budgets are to blame for all that ails the IRS, but this misdirection distracts from real issues at the IRS. It also cherry-picks data to paint a misleading portrait. Many begin their analysis of IRS budgets beginning only with fiscal year 2010, which was a thirty-plus year high-water mark for the IRS’s budget and an outlier. Viewed in the longer-run, the IRS’s average inflation-adjusted budget is much lower, with recent years aligning with this average. The efforts to try to claim that Republicans have slashed the IRS budget are simply not accurate.

“Budget arguments are also often invoked in attempts to justify massive IRS funding for things that do not address the customer-experience problems plaguing the IRS. For example, some advocate for increased IRS funding to generate revenue through heavy-handed enforcement.

“This year’s Presidential budget request seeks a large enforcement funding boost, and its ‘reserve fund’ placeholder for the reckless Build Back Better legislation would provide a truly massive \$80 billion infusion of mandatory funding primarily focused on enforcement. The reserve fund could also accommodate the Administration’s chilling proposal to monitor Americans’ bank account flows of as little as \$600.

“I strongly oppose forcing community banks and credit unions to report sensitive and private customer data of law-abiding taxpayers to the IRS in order to raise more money by snooping through customer accounts and will continue to aggressively push back on any attempts add this reporting scheme to legislation. I remain concerned about huge funding boosts that would increase audits on small businesses and middle-class Americans, rather than prioritize taxpayer services.

“Our hearing in February had a positive dialogue spotlighting IRS customer service challenges and solutions and I have a number of questions about ways to address the long-standing IRS problems we can agree on, such as outdated IT, and ways to ensure the next filing season will be much better than the last several.

“Given your stated commitment to making these improvements, Commissioner, I look forward to continuing to work with you on this.

“Thank you, Mr. Chairman.”