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Wyden Statement at Finance Committee Hearing on the IRS's Fiscal Year 2022 Budget
As Prepared for Delivery

Colleagues, I'll have prepared remarks in a moment. First, a brief comment on the breaking news. This morning there is what appears to be a massive, unauthorized disclosure of taxpayer records. The source of this information is unclear. Given the IRS's responsibility to protect taxpayer data, it has a responsibility to investigate the source of this disclosure.

In the meantime, as reported by ProPublica, what this data reveals is that the country's wealthiest – who profited immensely during the pandemic – have not been paying their fair share. I'll have a proposal to change that.

Moving to the subject of today's hearing, the Finance Committee welcomes Commissioner Rettig this morning to discuss the president's 2022 budget request for the IRS. Commissioner Rettig knows well this committee's interest in closing the tax gap, improving enforcement and fighting the unfairness in our tax laws. That starts, in my view, by going after cheating by the big guys at the top.

A few key examples, starting with wealthy taxpayers who skip filing tax returns altogether. According to a 2020 report from the inspector general for tax administration, nearly a million wealthy taxpayers failed to file returns between 2014 and 2016, dodging a total of $46 billion in taxes. Tax season came and went, they disappeared from the radar.

Senator Whitehouse and I wanted some explanation. Two weeks ago, he and I got a letter from the IRS that said that the agency sought charges against only 200 taxpayers for failing to file a return over a period of six years.

Something here is totally out of whack. On the one hand, you've got a fortune going unpaid by wealthy individuals blowing off the responsibility they share with every other American taxpayer. On the other hand, only a couple hundred non-filers are facing charges. You would think the IRS would be aggressively following up those affluent non-filers, but the evidence shows that doesn't seem to be the case.

Here's a second example of high-earners escaping real scrutiny. More than two out of every three dollars earned by partnerships in this country go to the top one percent of earners. These are sophisticated entities that bring in big revenue. However, the most recent data shows that out of millions of partnership returns filed in 2018, only 140 were audited.

If you're a wealthy tax cheat in a partnership, your odds of getting audited are slightly higher than your odds of getting hit by a meteorite. It's an audit rate of 0.00004 percent. On the other hand, taxpayers who claim the EITC are much, much likelier to get audited. Again, something is out of whack when it comes to enforcement.

For the sake of fairness – and for the sake of the budget – it makes a lot more sense to go after cheating by the big guys than focus on working people. The president's budget proposal has a lot to say on these issues. With funding increases for enforcement personnel and IT, it would help to build up the IRS's ability to handle the most important cases, tax evasion by the wealthy.

At the same time, it's important to recognize that the IRS has a history of going after the little guy too often. The budget proposes expanding the information that major financial institutions must report about some client accounts. It's absolutely critical that the focus of that reporting be on the wealthy tax evaders.

The budget also includes a proposal that's been a big priority for this committee for a long time, the authority to regulate paid tax preparers. Too many Americans who need help filing their taxes are falling victim to fraudsters and incompetent individuals. Taking a smart approach to creating rules in this area will help a lot of people avoid a tax refund nightmare, particularly people of modest incomes who depend on their refund every spring to make ends meet.

There's a lot more for the committee to discuss today. I want to thank Commissioner Rettig for joining us, and I look forward to the discussion.

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