

Thank you, Chairman Whitehouse.

It is a pleasure to work with you on this subcommittee.

The subcommittee on tax and IRS oversight is uniquely positioned to oversee the activities of the Internal Revenue Service, the executive branch agency charged with tax matters.

And it is my hope we can use this hearing as a foundation to conduct appropriate oversight of the IRS and ensure that Americans' private tax-related information is protected.

Today, we are here to discuss the laws and enforcement as they apply to the political activities of tax-exempt entities.

And, by extension, how those laws – and any proposed reforms – impact Americans' freedom of speech, association rights, and ability to privately give to causes they care about.

Free speech is not just good in theory; it is a key driver of a healthy democracy.

And allowing Americans to privately give to causes they care about is a fundamental component of protecting free speech and the First Amendment.

Partisan legislation to force tax-exempt groups to choose between spreading their message and protecting donors' privacy runs a real, and potentially corrosive, risk of chilling speech.

A few words about scope, 501(c) organizations, and the IRS.

Section 501(c) of the Internal Revenue Code describes 28 different categories of organizations that generally are exempt from Federal income tax.

We will focus much of today's discussion around four categories.

These include 501(c)(3) charitable organizations, 501(c)(4) social welfare organizations, 501(c)(5) labor organizations, and 501(c)(6) trade associations and business leagues.

In other words, a wide range of entities that represent diverse constituencies and causes across the country and include churches, charities, nonprofits, foundations, advocacy groups, unions, and trade associations.

The chairman has a particular interest in 501(c)(4) organizations and their impact on campaigns.

And according to a recent New York Times analysis, the impact is anything but small – particularly for politicians on the left.

The Times stated that in the last election, the left raised and spent more money from 501(c)(4) donors than the right.

The report showed that 15 of the most politically active nonprofit organizations that generally align with the Democrat Party spent more than \$1.5 billion in 2020 – hundreds of millions of dollars more than a comparable sample group aligned with the Republican Party.

There is a deep bench of well-funded 501(c)(4) organizations aligned with the Democrat Party that expressly support progressive policies and causes.

Of course, there are plenty of related organizations on the right as well.

The Senate Finance Committee has a long history of oversight into 501(c) tax-exempt entities and the IRS's treatment of such organizations.

Just a few years ago, the committee conducted a two-year bipartisan investigation into the IRS's inappropriate targeting of 501(c)(3) and 501(c)(4) applications for tax-exempt status.

The investigation, which culminated in 2015, found that the IRS grossly mismanaged applications filed by Tea Party and other conservative organizations.

The report showed that the IRS improperly disclosed taxpayer information from numerous conservative organizations, and that the agency systematically selected conservative organizations for heightened scrutiny in a manner wholly different from how it processed applications from left-leaning organizations.

Indeed, the unifying factor for how Tea Party applicants were handled at the IRS was not specific *political activities*, but rather an underlying *political philosophy*.

Americans – regardless of political affiliation – deserve to have an IRS that will administer the tax code with fairness and integrity, and safeguard their private taxpayer information.

Regrettably, recent history and current developments show the agency has fallen short.

Since last year's massive IRS leak or hack of taxpayer information, which the left-leaning ProPublica obtained and then used to publicize confidential taxpayer details, there has been no meaningful follow-up from the agency or the administration.

Perhaps that is because the unauthorized disclosure of private taxpayer data by ProPublica conveniently advanced a preferred political narrative on tax policy.

More fundamentally, the apparent leak or hack of private taxpayer information is a serious breach of trust between Americans and their government.

And it puts everyday citizens at risk of intimidation and harassment by ideological foes.

Americans have a right to know that the personal information they provide to the IRS remains confidential and will not be used to target them or to advance partisan political agendas.

Americans are justifiably concerned about the IRS – or, for that matter, any regulatory agency – collecting more sensitive taxpayer and donor information than is necessary, and how that collection could impact their lives and freedom of speech.

Policymakers would be wise to heed their concerns.

We have an excellent panel before us today.

Thank you all for being here, and I look forward to hearing your testimony.