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Wyden Hearing Statement on House Republican IRS Funding Cuts Undermining Law Enforcement and Taxpayer Service

As Prepared for Delivery

In recent months this committee has held three hearings, two with Commissioner Werfel and one with Secretary Yellen, in which Republicans have attacked the Inflation Reduction Act funding for the IRS.

The first bill that House Republicans passed in 2023 repealed the bulk of that funding. Repeal is a centerpiece of Speaker McCarthy's default plan, which would also destroy 780,000 jobs and increase the odds of a recession.

By all outward appearances, repealing this funding is the Republicans' top economic priority. That's why the Finance Committee is meeting this morning -- to break down, point by point, all the harm repealing it would do, especially as a part of the overall McCarthy plan.

First I want to focus on the major setback for criminal law enforcement. As a way to frighten typical taxpayers, Republicans have fabricated a whole lot of stories about 87,000 armed agents busting down the doors at local businesses and people's homes. It's nonsense.

The truth is, the IRS has a modest but critically important team of law enforcement personnel. They work on busting human trafficking rings, drug cartels, and enablers of child exploitation. They root out individuals and groups financing terrorists. They help crack down on criminal tax fraud and evasion, including the kind of evasion the Finance Committee identified with our two-year investigation of how Swiss bank Credit Suisse enabled a group of dual U.S. and foreign citizens to cheat on paying U.S. taxes.

At this moment, the IRS Criminal Investigation division is working with partners in Ukraine to hunt down crooks who are evading sanctions on Russia.

And recently the Criminal Investigation division collaborated with the FBI, the Department of Justice and law enforcement partners around the world on the largest fentanyl distribution takedown in history. It resulted in hundreds of arrests and the seizure of \$54 million and 850 kilograms of drugs, including the equivalent of millions of lethal doses of fentanyl.

Republican cuts reduced the workforce of Criminal Investigation special agents by 26 percent. Democrats passed IRA funding to help rebuild it, but Republicans now want to repeal that funding. Others say the funding ought to be targeted elsewhere. The question is, if you want to cut this

enforcement spending, which criminal activity do you propose letting slide? Drug rings? Money laundering? Sex trafficking and child abuse?

Yesterday the committee received a letter from the Federal Law Enforcement Officer Association opposing the Republican plan. This is a group representing tens of thousands of federal law enforcement officers from across dozens of agencies. Without objection I'll enter that letter into the hearing record.

Second issue, coming off the smoothest tax filing season in many years, the McCarthy repeal plan would once again clobber taxpayer service and force Americans to spend hours waiting on hold with the IRS.

House Republicans are hiding the ball on this issue. The McCarthy plan would leave the temporary IRA funding for taxpayer service in place, and Republicans will insist that's proof they're interested in maintaining better service.

Here's what they're not telling the American people: The McCarthy plan would also hit the IRS with across-the-board budget cuts just like the ones that steadily wrecked taxpayer service before Democrats were able to start fixing it last year. Nobody is asking for a return to 10 or 15 percent call response rates at the IRS.

Third, the McCarthy plan to repeal the IRS funding would lead to a \$120 billion increase in the deficit. How would his plan offset that deficit increase? By kicking people off their health insurance, increasing child hunger, worsening education and weakening border security, among many other examples.

With all that said, if you're looking for the big winners of the McCarthy IRS defunding plan, it's billionaires and corporations who cheat on their taxes. The Inflation Reduction Act funding for the IRS was designed to make sure they pay what they owe. Repealing that funding is a \$191 billion giveaway to wealthy tax cheats.

The effect of Republican IRS cuts has been clear. From 2010 to 2017, when Republicans cut the IRS most aggressively, audit rates for millionaires went down 77 percent. For large corporations, down 44 percent. For complex partnerships, down 80 percent. Performing those audits takes a lot of hard work by highly skilled staff, and the IRS has lost 40 percent of those agents.

Republican cuts shifted the burden of tax enforcement onto working people. Auditing them was easy. An audit of a simple individual taxpayer's return takes 5 hours on average. Auditing a higher-income tax cheat takes an average of 250 hours. Corporate audits and audits of large, complex partnerships can take even longer, sometimes several years. And they require large teams with a lot of expertise. Republican budget cuts systematically dismantled much of that expertise in the previous decade, and the McCarthy plan would decimate it going forward.

The bottom line is, the McCarthy plan would lead to more tax evasion by the rich, worse taxpayer service for law-abiding Americans, and fewer prosecutions of drug cartel members, sex criminals, sanctions evaders and money launderers. Obviously this cannot pass.

So there's a lot for us to discuss today. I'm looking forward to hearing from our witnesses.

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