

Crapo Statement at Hearing on IRS Budget
June 8, 2021

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's Fiscal Year 2022 Budget."

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

"Thank you Mr. Chairman, and thank you Commissioner Rettig for joining us again today.

"It is safe to say we all support efforts to administer our nation's tax laws and collect taxes that are legally due.

"Today, we will hear from Commissioner Rettig about proposals to massively increase the budget at IRS, aimed largely at increased compliance and enforcement efforts.

"Commissioner Rettig, you have the chance to provide your perspective on an array of issues, including any updated tax-gap analysis your Agency is preparing, various compliance- or enforcement-related proposals contained in the President's budget and recently-enacted spending programs that the IRS will soon begin implementing.

"Focusing on the Administration's discretionary funding request for the IRS, I look forward to hearing about how the IRS would spend the \$1.2 billion in additional funding in FY 2022, including the specific activities the funds would go toward and what the expected outcome from these activities will be.

"The President's Fiscal Year 2022 Budget proposes not only a significant increase in IRS funding, but also a dedicated, mandatory flow of funding for the IRS over a ten-year period, based partly on some speculative and questionable assumptions and analysis.

"Multi-year, guaranteed appropriations like this are rare, and it is important to understand whether the circumstances actually warrant it.

"It is also important to understand how much additional funding the IRS can efficiently use, as well as the specific implementation plans the IRS has to put any additional funding it receives to good use.

"Much has been said about the decline in IRS funding from the 2010 fiscal year.

“Less has been said about data suggesting the IRS has become at least somewhat more efficient in the aftermath of these declines, such as the fact that IRS gross revenue collections have increased every year, year-over-year since 2010, from \$2.34 trillion in 2010 to \$3.56 trillion in 2019.

“Further, the IRS’s costs of collection have decreased every year, year-over-year since 2010, from \$0.53 in costs per \$100 collected in 2010 to \$0.33 in costs per \$100 collected in 2019.

“Moreover, we need to better understand the actual correlation between the IRS’s enforcement budget and the enforcement revenue it collects.

“For example, IRS data shows that enforcement revenues actually increased between fiscal years 2012-2013, 2013-2014, 2015-2016, 2016-2017, and 2017-2018, despite actual enforcement spending decreasing between each of these periods.

“Similarly, between fiscal years 2019-2020, enforcement revenues declined by \$6.4 billion despite actual enforcement spending increasing by \$317 million.

“Suffice to say, we need to better understand the facts at play here, particularly before we rush to adopt multi-billion dollar funding increases.

“And as we all know, revenue comes from the economy, and revenue collected is far more sensitive to the state of the economy than it is to the size of the IRS budget or scope of its enforcement.

“When the economy grows, revenues rise; and when the economy shrinks or grows sluggishly, revenues fall or grow slowly.

“The Administration’s budget proposes several new reporting, compliance and enforcement regimes, including a proposal to require near-universal disclosure to the IRS of gross inflows and outflows for both traditional and non-traditional financial accounts for businesses and for individuals, as well as for third-party settlement entities.

“I have long been critical of big data collection activities, and oppose turning banks and brokers into government tax collectors. I also have strong concerns about the proposed IRS big data requirements.

“According to the budget request, ‘This requirement would apply to all business and personal accounts from financial institutions, including bank loans and

investment accounts, with the exception of accounts below a low de minimis gross flow threshold of \$600 or fair market value of \$600.'

"Commissioner Rettig, you may recall that expanded 1099 information reporting was enacted in the Affordable Care Act to include any payment of over \$600, and the American people soundly rejected that provision, leading to its rapid repeal a year later.

"Absent bipartisanship in developing enhanced compliance and enforcement activities, and public acceptance of their legitimacy, the Administration's proposals will not be durable.

"The key issue for the IRS, and for those of us who oversee it, is to strike the appropriate balance between rigorous enforcement of the tax laws and heavy-handed, stifling intrusiveness.

"I am concerned about the implications of many of the President's budget proposals, including requiring additional, and highly burdensome, information reporting when some existing reporting is duplicative, and much is still not being utilized to the fullest extent.

"Proposals to increase compliance and enforcement can have merit, but there is risk of turning the IRS, and perhaps even private financial institutions, into feared gatherers of information that is not necessary for tax administration.

"Also, in regard to compliance, I would be remiss if I did not indicate my continued disappointment in the lack of responsiveness of the IRS and Treasury to my inquiries.

"You last appeared before this Committee on April 13, and I have not yet received responses from you to questions that I asked for the record.

"I also sent you a letter on May 10 with a series of questions about the speculative and questionable tax gap projections that you have recently put forward.

"I only received a partial response to my questions late yesterday afternoon.

"It is somewhat surprising for the Administration to request outsized and mandatory funding for the IRS, while at the same time not complying with basic transparency and accountability responsibilities.

“Commissioner Rettig, I look forward to your testimony, and thank you for appearing today.

“Thank you, Mr. Chairman.”