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Wyden Statement at Finance Committee Hearing on Improper Payments
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It's important at the outset of this hearing to make sure that everyone is on the same page with respect to the topic at hand. In my view, there are two issues, which are related but distinct. The first is improper payments, which are payments that are too big, too small, or documented the wrong way. In most cases, it comes down to accounting errors or taxpayers getting tripped up by our complicated tax rules. The second issue is fraud, which is a criminal act that results in illegal payments.

Let me begin by saying that nobody on this side of the aisle backs down from the challenge of fixing improper payments and fighting fraud. That's because every taxpayer dollar lost to mistakes -- no matter the cause -- is a dollar that's not available to help seniors cover medical costs, put a student through college, or rebuild our aging infrastructure. Congress ought to do everything it can to eliminate fraud and improper payments. But by conflating the two, you run the risk of doing a bad job fighting both.

When it comes to cutting down on improper payments, there is action that can be taken. For example, the Finance Committee passed bipartisan legislation in June -- the AFIRM Act -- that can help Medicare cut down improper payments by shoring up the system of audits and appeals. The crushing backlog of appeals is a major source of frustration for seniors and providers, and the audit system in place today needs big improvements. Our legislation will help make sure that the right payments are going out, and it will keep paperwork and bureaucratic red tape from coming between doctors and their patients.

When it comes to combatting fraud, the Government Accountability Office and the National Taxpayer Advocate have said that one of the best ways to go after tax fraudsters is by protecting taxpayers from predatory and incompetent paid return preparers. When you look at the facts, setting standards for tax return preparers is the definition of a no-brainer. But at the federal level, there are no standards whatsoever protecting taxpayers from incompetence and dishonesty among paid return preparers. Only four states have set their own standards.

As a result, across the country, incompetent preparers make mistakes that cause financial nightmares for a lot of families, particularly people of limited means. Or worse, unethical, fraudulent return preparers pose as trustworthy businessmen and steal money from people who already struggle to get by.

My home state of Oregon is one of four that gets this issue right and protects innocent people from these scofflaws. And it's not just me saying there should be nationwide protections -- it's the GAO and the Taxpayer Advocate, who are the trusted nonpartisan voices on these issues. Senator Hatch and I have a proposal ready to go that would combat fraud in a number of ways, including by regulating paid tax return preparers, and I'm hopeful that the committee will move it forward soon.

As GAO points out in its testimony, setting standards for paid preparers will have a double benefit. Not only will it crack down on fraud, it will also help cut down on improper Earned Income Tax Credit payments. That's because nearly half of the tax returns done by paid preparers improperly claim the EITC.

Finally, you cannot get a full picture of how to protect taxpayer dollars without looking at a few other major issues. The first is the annual tax gap of \$385 billion, which is more than three times the total amount of improper payments government-wide. And second is defense spending. The Pentagon cannot get a free pass when it comes to improper payments just because some members of Congress find it easier to focus on health care and tax programs. Those issues have to be a part of the debate.

In closing, it's my view that the committee ought to look at this challenge of improper payments as an opportunity to make our tax system and spending programs work better. GAO has made a number of recommendations on how to make that happen. I look forward to hearing Mr. Dodaro's testimony.

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