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Hatch Statement at Finance Hearing Examining the IRS's Response to Bipartisan Committee Report

WASHINGTON – Senate Finance Committee Chairman Orrin Hatch (R-Utah) today delivered the following opening statement at a Committee hearing to examine the Internal Revenue Service's (IRS) response to the Committee's bipartisan report that detailed their investigation into the IRS's treatment of organizations applying for tax-exempt status.

In May 2013, the Treasury Inspector General for Tax Administration revealed that, in the run-up to the 2010 and 2012 elections, the Internal Revenue Service had targeted certain organizations applying for tax-exempt status for extra and undue scrutiny based on the groups' names and political views.

Needless to say, we took this matter very seriously. Indeed, at the time, both Republicans and Democrats condemned the agency's actions. And, as the Senate committee with exclusive legislative and oversight jurisdiction over the IRS, the Finance Committee launched a bipartisan investigation into the matter.

In fact, our investigation was the most thorough and the only bipartisan investigation conducted with regard to these events.

On August 5th of this year, after more than two years of investigation, we released a 375 page bipartisan investigative committee report that included approximately 4,500 pages of exhibits. This report is, I believe, the definitive record of what occurred at the IRS and why.

As we all know, last week, the Department of Justice stated publicly that they would not be pressing criminal charges with regard to these events at the IRS. This has led some to argue that the Justice Department is corrupt or biased in some way. Others have said that this decision proves that nothing scandalous occurred at the IRS.

I believe the committee's report speaks for itself on this matter. And, in my opinion, rather than fueling the echo chamber, we would do better to focus on what we know actually happened and what changes need to take place to make sure it doesn't happen again.

That's why we are here today.

The Committee's report included ten major findings that formed the basis of various recommendations for changes that we believe the agency should make to ensure the IRS's actions remain above board.

The purpose of today's hearing is to hear directly from the IRS about their response to our report and their progress in adopting our recommendations. Toward that end, I want to thank Commissioner Koskinen for being here today and for the agency's thoughtful response to our recommendations.

In that response, the IRS indicated that they have implemented all of the bipartisan recommendations from the report that are within the agency's control, as well as the separate Majority and Minority recommendations.

Our overall goal here should be to restore the credibility of the IRS and ensure that this very powerful agency treats all American taxpayers fairly.

While I want to commend the IRS for the efforts they have made thus far, in my understanding that, up to now, most of the changes they've made have been procedural in nature and very little has been done to begin work on the needed structural changes at the agency. Today, I hope to hear more details as to why these types of changes are being delayed.

At the same time, I believe the Finance Committee should be considering statutory changes that will improve upon the status quo. For example, there was bipartisan agreement in the report on the need to update the Hatch Act to ensure that, with regard to political activities, IRS employees receive the same considerations as employees of other highly-sensitive agencies, like the Federal Election Commission and the Federal Bureau of Investigation.

In addition, as the Majority Views in the report noted, and as I have stated publicly on multiple occasions, I have serious concerns about the influence of labor union activity at the IRS. While I am not anti-union and while I do not oppose collective bargaining in general, we know that two-thirds of IRS workers are represented by a union organization that is very politically active and that a fair number of IRS employees work full-time for the benefit of that union. I don't think it's much of a stretch to argue that such a strong union presence could have contributed to a politicized environment at the IRS.

While current law allows federal government employees to be represented by unions, Congress has made a number of exceptions to this policy, generally with agencies that have important law enforcement obligations or perform other highly sensitive work. And, while I expect there to be some resistance to this idea, I think it is only reasonable that we take the time to consider whether the IRS should be placed in a similar category.

I hope that today we can have a good discussion and get Commissioner Koskinen's views on these and other legislative proposals.

Ultimately, the theme that I want to stress most today is accountability.

Our report clearly shows that political targeting at the IRS resulted from a number of bad decisions made by a number of different officials. However, as of yet, very few of these individuals have been held accountable, while others have since received bonuses and even promotions. While I am concerned about this apparent lack of individual accountability, I am more concerned that the IRS lacks the necessary structural and procedural mechanisms to ensure that, as an agency, it remains accountable.

The recommendations we included in our report were designed to provide this type of accountability and I look forward to discussing our ideas in more detail today.

Before I conclude, I just want to briefly comment on the ongoing effort at the IRS to enact new regulations regarding the political activities of 501(c)(4) organizations. Obviously, this is an issue that deeply concerns a number of people throughout the country, including members of this committee.

As we know, regulations proposed in 2013 were criticized by people and organizations across the political spectrum, and were subsequently withdrawn. That poorly drafted proposal would have created nonsensical rules and constitutionally dubious speech restrictions. Oddly enough, it would have created stricter standards for 501(c)(4) organizations than exist for public charities, which would be a perverse reversal of roles for these types of organizations.

While this issue is not directly related to the committee's report on the IRS's political targeting, I think it's fair to say that agency still carries with it a cloud of perceived political bias. Therefore, I would caution Commissioner Koskinen and others in the administration that have made this regulation a priority to focus instead on actions to restore the IRS's credibility and to abandon any effort to inject more rules and restrictions into the political process.

I expect that members of the committee will want to discuss this matter today as well as, once again, it is an issue that is on the minds of many people.

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