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Hatch Statement at Finance Hearing on IRS Operations and The President's Budget for FY 2016

WASHINGTON – Senate Finance Committee Chairman Orrin Hatch (R-Utah) today delivered the following opening statement at a committee hearing on the President's FY 2016 budget request for the IRS:

The committee welcomes Internal Revenue Service Commissioner John Koskinen, who comes before us today to discuss his agency's budget and operations. We will also be discussing President Obama's fiscal year 2016 budget proposal.

Commissioner Koskinen, this morning's hearing continues a long tradition of the close relationship between the Senate Finance Committee and your agency.

More than 152 years ago, the Finance Committee received a letter from George Boutwell, who President Lincoln had appointed as the first Commissioner of Internal Revenue. The letter came in response to an inquiry from the committee, seeking information about the commissioner's organization, his budget, and the activities of his office.

Does that sound familiar?

In his letter, dated January 21, 1863, Commissioner Boutwell tried to answer the committee's questions, but started by first asking Congress for more money.

Specifically, he wrote, "Before proceeding to estimate the expenses of assessing and collecting the revenue, I desire to express the opinion that an increase in the pay of assessors is very important, if not absolutely necessary."

That part sounds familiar to me.

As you and I continue this historic and important relationship, I hope we can begin the 114th Congress on new footing. The issues before us are too great for that relationship to be anything but open, honest, and productive.

We will certainly disagree a lot – on your agency’s implementation of Obamacare, on the application of premium tax credits to federal exchanges, and on IRS spending, just to name a few issues. Sometimes, the relationship will be contentious. Sometimes, it will be congenial. I hope it will be more the latter than the former, but that will depend on you.

When we look at the IRS’s operations, there are handful of basic principles the agency must follow in order maintain its good working relationship with this committee. Today, I’m going to talk about three of those principles.

First, the IRS must spend taxpayer dollars wisely.

As the agency that collects taxes from American workers and businesses, your agency will continue to be under especially tough scrutiny when it comes to how it spends the money Congress appropriates. And, unfortunately, the IRS’s operations do not appear to be able to withstand such scrutiny.

When you reverse the positions of your predecessors and award bonuses to employees who have not paid their taxes; when your agency throws lavish conferences; and when you spend tens of millions of dollars on public sector union activity, the public loses faith in your ability to spend money wisely.

When your agency pays tens of billions of dollars in improper payments every year; when the IRS mails thousands of fraudulent refund checks to a single home address; and when a quarter of all Earned Income Tax Credit payments are improper, the public loses faith in your ability to protect tax dollars carefully.

Second, the IRS must treat taxpayers fairly and respect their rights.

Recent scandals have given Americans reason to doubt that the IRS will treat them fairly. While the targeting of applicants for tax-exempt status may have happened before your tenure, taxpayers must have confidence that those days are over.

Just before you became Commissioner, the IRS and Treasury Department released a proposed regulation that would limit the ability of social welfare organizations to engage in speech about matters of public importance. After an outcry from all sides of the political spectrum, the proposed regulation was withdrawn.

But, now I hear you plan to reissue it.

This would be a mistake – and I hope you do not go down the path of trying to limit political speech. That would only further entangle your agency in needless political debate and controversy.

Third and finally, the IRS must be open and honest with this committee. We must have mutual trust between us.

I believe you to be an honest man and when you tell me something, I take you at your word. But it's because of this trust that I am concerned about a recent development in the committee's investigation of political targeting at the IRS.

Last July, your agency told the committee that it had completed its production of documents regarding Lois Lerner, the central figure in the investigation. Then, late last month, as the committee worked to finalize its investigative report, your agency delivered 86,000 pages of new documents, including 30,000 pages of new Lois Lerner documents, including new emails. Thirty thousand pages of new documents.

Emails that fill eight boxes, and I have here about a tenth of those. These documents are central and relevant to the committee's investigation, and were given to us without notice or explanation roughly twenty months after we made our initial document request.

This is not the way to build trust with this committee. This prolongs the committee's investigation and raises more questions than it answers.

We will be following up on this matter more after today's hearing.

Commissioner Koskinen, we are here today to discuss your agency's operations and the President's budget proposal. There is much to discuss on these two topics, and I look forward to hearing your testimony and answers.

In your opening remarks, I'd appreciate it if you took the time to address three specific concerns that I have.

First, I'd like to hear what the IRS plans to do to address the consistently high levels of fraud and overpayments for the Earned Income Tax Credit.

Second, I'd like to hear what specific changes you plan to make in the agency's spending habits to deal with the budgetary shortfalls you've publicly decried.

Third, I'd like to hear about any contingency plans you have in place in case the Supreme Court invalidates the current structure of the Affordable Care Act tax subsidies later this year.

I hope that today can mark the beginning of a new chapter in the long, historic relationship between the IRS and the Senate Finance Committee.

I hope it is a good chapter, but, once again, that is ultimately up to you.

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