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United States Senate

COMMITTEE ON FINANCE

WASHINGTON, DC 20510-6200

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June 4, 2020

The Honorable Charles P. Rettig
Commissioner
Internal Revenue Service
1111 Constitution Avenue, NW
Washington, D.C. 20224

Dear Commissioner Rettig:

On Monday, June 1, 2020, the Treasury Inspector General for Tax Administration (TIGTA) released an audit report titled, “High-Income Nonfilers Owing Billions of Dollars Are Not Being Worked by the Internal Revenue Service.”¹ This report found that during the Obama administration, for the tax years 2014 through 2016, nearly 900,000 high-income taxpayers who should have filed a tax return did not do so, which equated to about \$45.7 billion in taxes they did not pay.² The IRS never reviewed the files for 369,180 of those high-income taxpayers who did not file a return, representing about \$20.8 billion in unpaid taxes.³ The report even found that, in some instances, the IRS had shelved cases for tax year 2014 as early as November 2015, less than a year after returns for tax year 2014 would have been due.⁴

While the scope of TIGTA’s review preceded your tenure as Commissioner, I would like to understand how the IRS was aware of so many instances of taxpayer noncompliance without ever having attempted to collect from such taxpayers, or even prepared substitute returns for them based on the information received by the IRS alerting it to such noncompliance. In your response, please also indicate the criteria the IRS used in determining when to discontinue collection efforts against a taxpayer (or never begin collection efforts in the first place) and whether the same or other criteria are being used currently.

¹ INSPECTOR GEN. FOR TAX ADMIN., U.S. DEP’T OF TREASURY, REF. NO. 2020-30-015, HIGH-INCOME NONFILERS OWING BILLIONS OF DOLLARS ARE NOT BEING WORKED BY THE INTERNAL REVENUE SERVICE4 (2020) [hereinafter 2020 AUDIT], available at <https://www.treasury.gov/tigta/auditreports/2020reports/202030015fr.pdf>.

² *Id.* at 6.

³ *Id.* at 12.

⁴ *Id.* at 17.

This past February, the IRS announced that its revenue officers would be increasing their visits to high-income taxpayers with a history of failing to comply with their tax obligations.⁵ I applaud that effort. Surely you remember the late billionaire Leona Helmsley having been quoted as saying, “Only the little people pay taxes,” and you likely also remember that Ms. Helmsley served time in federal prison after having been convicted on tax-evasion charges.⁶ It is important that American taxpayers do not come to view Ms. Helmsley’s selfish words as prophetic. The IRS should make sure its enforcement efforts are fair across the board. No one at any income level should ever think they are safe in cheating on their taxes. Please keep me updated, beginning with a staff briefing, on how the IRS’ increased efforts announced in February are proceeding, especially in light of recent limitations brought on by COVID-19.

Please respond to this letter by the close of business on Thursday, June 11, 2020. If you have any questions, please ask your staff to contact John Schoenecker of the Finance Committee staff at (202) 224-4515. Thank you for your attention to this matter.

Respectfully,

Charles E. Grassley

Charles E. Grassley
Chairman

⁵ IRS increases visits to high-income taxpayers who haven’t filed tax returns, IR-2020-34 (Feb. 19, 2020), *available at* <https://www.irs.gov/newsroom/irs-increases-visits-to-high-income-taxpayers-who-havent-filed-tax-returns>.

⁶ Robert W. Wood, *10 Notorious Tax Cheats: Queen Of Mean Leona Helmsley Proved Little People Can Put You In Jail*, FORBES (Apr. 17, 2015), *available at* <https://www.forbes.com/sites/robertwood/2015/04/17/10-notorious-tax-cheats-queen-of-mean-leona-helmsley-proved-little-people-can-put-you-in-jail/#1cada65d2d08>.