

# *United States Senate Committee on Finance*

For Immediate Release

Wednesday, Dec. 16, 2009

## Grassley, Cornyn Express “Extreme Disappointment” With IRS Oversight Board Response to Huge Challenge of IRS’ Administering of Health Care Reform

WASHINGTON – Sen. Chuck Grassley and Sen. John Cornyn today expressed “extreme disappointment” with the IRS oversight board’s lack of engagement in addressing the challenges facing the agency under the trillion-dollar health care reform legislation facing imminent enactment.

“It’s hard to tell exactly what the IRS oversight board does if it won’t look out for the taxpayers facing a big increase in their dealings with the IRS,” Grassley said. “A lot of people already have enough trouble dealing with the IRS when problems come up. The agency has trouble administering the existing health care tax credit. So it’s hard to see how the IRS could take on the huge responsibility it would be given under pending health care legislation without some real glitches, or worse. Unfortunately, the IRS oversight board is sitting by instead of trying to help the public.”

“As the Democrats’ massive Health Care bill continues to barrel through the Senate, we are left with more questions than answers about how the IRS will be able to implement the billions of dollars of new taxes, fees, and federal mandates that are included in the 2,076-page proposal. The non-partisan Congressional Budget Office tells us the IRS budget will need to be almost doubled just to administer the Democrats’ current proposal,” Cornyn said. “This means even more auditors, agents, and bureaucratic red tape for many Americans already frustrated in their everyday dealings with the IRS.”

Under health care reform legislation, the IRS would have to administer several new and very controversial provisions including the individual mandate, employer free-rider penalty, the premium subsidy for low-income individuals, the small business tax credits, working with exchanges to verify income information and figuring how to calculate and collect several new excise taxes. The Congressional Budget Office says administrative costs to the IRS probably would be between \$5 billion and \$10 billion over 10 years. For fiscal year 2010 Congress appropriated around \$12 billion to run the IRS. The Administration and Democratic congressional leaders have not provided estimates of the administrative costs, despite requests from Grassley.

Grassley is ranking member and Cornyn is a member of the Committee on Finance, with exclusive jurisdiction over tax policy. The senators today wrote to the IRS oversight board chairman in response to his letter of Nov. 5, 2009, in response to the senators’ letter of October 29, 2009.

The text of the senators' letter today follows here. The text of the earlier letters is available at [finance.senate.gov](http://finance.senate.gov).

December 16, 2009

Paul Cherecwich, Jr.  
Chairman  
IRS Oversight Board  
1500 Pennsylvania Avenue, NW  
Washington, DC 20220

Dear Chairman Cherecwich:

We are writing to express our extreme disappointment in your letter of November 5, 2009, which was in response to our letter of October 29, 2009. We appreciate and understand that the Internal Revenue Service (IRS) Oversight Board has no responsibilities or authority with respect to the development and formulation of federal tax policy. As a result of this understanding, we are surprised and dismayed that at a meeting with Finance Committee staff on December 2, 2009, you commented favorably on behalf of the IRS Oversight Board on the "Foreign Account Tax Compliance Act of 2009," which was introduced in October by Chairmen Baucus and Rangel. We understand you stated that the bill "strikes the board as a good deal."

Your willingness to comment on legislation on behalf of the IRS Oversight Board is all the more confusing when compared to your response to our letter. Contrary to the meaning of your own letter, you were not asked to develop or formulate legislation of any kind. You have been asked to comment on the ability of the IRS to implement legislation that has already been developed. IRC §7802 also states that "In general, The Oversight Board shall oversee the Internal Revenue Service in its administration, management, conduct, direction, and supervision of the execution and application of the internal revenue laws or related statutes and tax conventions to which the United States is a party." The ability of the IRS to administer new responsibilities as contained in the "Patient Protection and Affordable Care Act of 2009," now under consideration in the Senate, is a fair question to ask in light of your mission as stated in the tax code.

The Congressional Budget Office (CBO), in its November 18, 2009, evaluation of the "Patient Protection and Affordable Care Act of 2009," says major costs of the legislation would include "Costs to the Internal Revenue Service of implementing the eligibility determination, documentation, and verification processes for premium and cost sharing credits. Those costs would probably be between \$5 billion and \$10 billion over 10 years." For fiscal year 2010 Congress appropriated around \$12 billion to run the IRS. This means that CBO believes that the IRS may need almost all of the money it spends in one year just to implement health reform. Given that most of the taxes included in the health bill currently being debated in the Senate may be effective in about two weeks, we are frustrated and surprised that the IRS Oversight Board is not considering the impact of this legislation on IRS administration.

As our initial letter to you stated, both the Government Accountability Office and the Treasury Inspector General for Tax Administration have expressed significant concerns about the ability of the IRS to administer the tax system as it exists right now. Aside from leading to questions about what, if anything, the IRS Oversight Board has done to improve the current situation, any rational observer must ask how the IRS would cope with additional responsibilities if it is not able to successfully administer the tax code as currently written.

The possibility of a healthcare reform bill being enacted in the very near future that would greatly expand the role and responsibility of the IRS demands that the IRS Oversight Board work even harder in its oversight capacity. We encourage you to reconsider your letter to both of us and really examine the ability of the IRS budget and workforce to withstand the impact of health reform in its current form.

Sincerely,

Chuck Grassley  
Ranking Member

John Cornyn  
United States Senator