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United States Senate

COMMITTEE ON FINANCE

WASHINGTON, DC 20510-6200

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April 13, 2015

The Honorable John Koskinen
Commissioner
Internal Revenue Service
1111 Constitution Avenue, NW
Washington, DC 20224

Dear Commissioner Koskinen:

At a recent Senate Finance Committee hearing, I noted the long, historic relationship of the Internal Revenue Service and the Senate Finance Committee. The challenges of the IRS in the coming years will be great, as your agency struggles with the implementation of new federal programs and doing more with limited resources. The next chapter in our relationship is a critical one, and I hope a good one, but as I noted at the hearing, that is ultimately up to you.

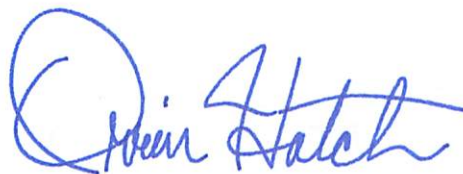
I also warned that attempts to limit political speech through the tax code would not be tolerated, and would only serve to “further entangle your agency in political debate and controversy.” Two years ago, your agency put forth proposed regulations that would upend half-century-old rules regarding get out the vote drives, voter registration, and other activities by tax exempt organizations. This rule was withdrawn after intense opposition across the political spectrum. You recently announced that the IRS would seek to *broaden* the rule, restricting the speech and activities of an even wider range of tax exempt organizations. You are starting down a very dangerous road.

You have explained that this attempt to restrict the rights of groups to organize and speak out was in response to the IRS’s targeting of conservative groups and 2013 recommendations by the Inspector General. You have also explained that new rules were necessary to prevent further targeting. Both claims are false.

Congressional investigations have established that the Treasury Department began work on the proposal in 2011, long before the Inspector General’s recommendations and during the height of the political targeting, rather than in response to it. Furthermore, interviews with front-line IRS employees established that those workers were processing applications from conservative groups in a timely fashion and without difficulty, until political officials in Washington, DC intervened. The problem was not the rules governing tax exempt entities – the problem was officials at IRS and Treasury Department headquarters further involving your agency into the political speech of Americans across the country. Rather than preventing further targeting, the new proposal – should you proceed with it – will be the systemization of targeting through law.

As it is, the IRS faces seemingly insurmountable challenges in implementing the President's health care overhaul and the Foreign Account Tax Compliance Act with limited resources. The IRS is just beginning to recover its reputation, and your agency is just beginning to regain trust from lawmakers. Do not throw all of that away in a quixotic and bizarre mission to regulate the political activity of Americans. If you do so, in light of your agency's recent history, your actions will be viewed with the presumption of political bias and bad faith. If you issue this proposed rule, Congress will have no choice but to investigate the reasons behind this power grab, be it political motivation or orders from officials at the Treasury Department or the White House. To that end, and in anticipation of the Administration moving ahead on this issue, I ask that you begin putting in place document retention policies for all documents and communication related to your agency's work regarding these proposals. This retention should include, but is not limited to, all handwritten notes, memoranda, and electronic communication on the matter.

Sincerely,

A handwritten signature in blue ink that reads "Orrin Hatch". The signature is written in a cursive style with a large, circular initial "O".

Orrin G. Hatch
Chairman, Senate Committee on Finance