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Wyden Statement at IRS Budget Hearing on Eliminating Unfairness in the Tax System
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Whenever I talk with Oregonians in meetings or town halls, the conversation nearly always comes down to the same core issue – the struggling middle class. Years after economists first said the recession officially ended, too many middle-class Americans feel like they’re standing on quicksand because the recovery has yet to reach them. So the challenge facing policymakers is putting America’s middle class on solid economic ground – growing their paychecks and ensuring that our recovery reaches everybody across the country.

That challenge will be top of mind at each of the three hearings the Finance Committee is holding this week. Tomorrow and Thursday, the committee will talk with HHS Secretary Burwell and Treasury Secretary Lew about the administration’s plans to save Americans’ money on health care, create jobs, increase wages, and invest in the middle class. Today, the committee has an opportunity to discuss the status of America’s accounting department – the Internal Revenue Service – with IRS Commissioner John Koskinen.

With W-2 forms in the mail and tax season beginning, the nation’s annual headache is setting in. Taxpayers today live in two separate worlds. In one world, a middle class office employee pays taxes directly out of her wages and is subjected every spring to the painstaking process of filing returns. There are no complicated tax avoidance strategies at her disposal – no shelters or vehicles for her to hide income. Meanwhile, in the other world, teams of accountants pry open loopholes hidden in the tax code, and the line between right and wrong is murky at best.

The inherent unfairness of our tax system is a blow that falls hardest on the middle class. And it takes a number of forms. The most obvious is that every year, families spend more time and money filing their taxes. People are concerned about compiling all their records, completing all the forms and filing correctly. Unfortunately, the tax code itself hasn’t gotten any simpler, and the lack of resources at the IRS slows service to a crawl. Nina Olson, the independent IRS Taxpayer Advocate, calls this the “most serious problem” facing taxpayers.

When people call into IRS help lines, they sit in long queues listening to hold music. Protections against identity theft are delayed, and taxpayers who worry they might be victims of scams can’t get the timely assistance they need. Families depending on their refund to help cover the mortgage or tuition are left waiting.

There's a second issue to consider today. According to the IRS, nearly \$400 billion in taxes go unpaid every year. It's called the tax gap. One of its biggest causes is the dishonesty of tax cheats and scammers who avoid paying what they owe.

Who's getting short shrift as a result? The middle-class wage earners whose taxes come straight out of their paychecks. Honest taxpayers have to make up the difference when scofflaws dodge their responsibilities, and that's not right. But until Congress simplifies and restores fairness to our broken tax code, multinationals and people with high-priced accountants will continue to find loopholes.

There's no question that the IRS could make better use of the resources it has. That's true for every federal agency, every private business, and even Congress itself. It has also been acknowledged by Commissioner Koskinen and his predecessor.

Meanwhile, policymakers cannot lose sight of the biggest challenge facing Congress today, which is putting the middle class on solid economic ground. There will be many more opportunities ahead for this committee to work on a bipartisan basis with Commissioner Koskinen and the IRS to make the system work better for middle class families – including through comprehensive tax reform.

The goal should be fairness. Taxpayers should no longer be divided into separate worlds, one of which carries a much heavier burden than the other. I look forward to working with Commissioner Koskinen and the committee to making that our reality.

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