

Chairman Ander Crenshaw
Subcommittee on Financial Services and General Government
House Committee on Appropriations
IRS Oversight Hearing
June 3, 2013
Opening Statement As Prepared

The hearing will come to order. Good afternoon, everyone.

It gives me no pleasure to convene this IRS oversight hearing today. The facts and circumstances that bring us here are enough to shake anyone's faith and trust in government. Targeting groups based on their names and political beliefs is both chilling and outrageous. A voluntary tax system depends on a fair and impartial collection process because, as Chief Justice Marshall said, the power to tax is the power to destroy.

Here's what we know: In an arrogant and absolute abuse of power, the IRS office in Cincinnati singled out groups and individuals based on their political philosophy for extra scrutiny. They were harassed, intimidated, and bullied. And no one spoke up.

But there's a lot we don't know. And it's time for the IRS to come clean.

We need to find out what happened. Who came up with this plan and why? How widespread were these abuses? Who was responsible, and who will be held accountable? And most importantly, how do we make sure it never happens again?

Congress appropriates more than \$10 billion in hard-earned taxpayer dollars each year for IRS operations. Before we spend one more dime on the IRS, we need to know how it spends the money it already receives. And, we need to know what safeguards the IRS plans to have in place to make sure the funds are used in a legal and appropriate way.

That's why we're holding this hearing.

I have heard some say that the IRS is underfunded and that using names and political briefs to target 501(c)(4) applications for additional scrutiny was a "shortcut" to deal with a growing number of tax-exempt applications. These shortcuts, however, started in 2010 when the number of 501(c)(4) applications were static and the total number 501(c) applications were falling. The funds appropriated to the IRS in fiscal year 2010 were not only a record-high amount, but also the second consecutive year that funds appropriated to the IRS exceeded the IRS's budget request. It seems counterintuitive that the IRS would resort to shortcuts in 2010 when the IRS had less work to do and more money than ever. In addition, sending abusive letters and asking unnecessary questions to applicants seeking a tax-exempt status does not sound like a shortcut to me.

Now, we learn of the flagrant waste of taxpayer dollars on conferences and videos. And, what is most disheartening, the money came in part from unused funds from the IRS enforcement budget - at a time when they were asking for even more funding.

For Fiscal Year 2014, the IRS budget request is \$12.9 billion, which is a \$1 billion increase over this year. And of that, \$440 million is to help implement of the Affordable Care Act.

Even before the Inspector General's report on Tax-Exempt Applications was released, an increase of that magnitude would be a challenge for some very basic reasons: 1) objections to the Affordable Care Act, 2) the subcommittee's limited budget, 3) breach of trust, and 4) now the newly discovered incredible waste.

Now, we will have to think very carefully about how much money to provide to the IRS.

Nonetheless, we need to fund this agency so that it can accurately answer questions from individuals and businesses about tax issues, produce tax forms and instructions that promote compliance, process tax returns in a timely manner, and investigate criminals committing tax fraud.

However, we cannot in good conscience provide taxpayer dollars that are used to abuse the rights of American citizens, nor can we provide dollars that are wasted in such a flagrant manner as we have just discovered.

Today, we will take testimony today from Acting IRS Commissioner Daniel Werfel and Treasury Inspector General J. Russell George. I hope we can all hear from them about how to cure what ails the IRS.

I can already tell you that:

- We are going to insist that the IRS implement all nine of the recommendations in the Inspector General's report to the satisfaction of the Inspector General;
- We are going to require more frequent and in-depth reports from the IRS about how they allocate their funds among their different offices, and;
- We are also going to demand that the IRS demonstrate to the Committee that the funds provided by this Committee are used without a hint of partisanship or ideology when it comes to the application of our tax laws.

This hearing is Inspector General George's second appearance before the Subcommittee this year. We appreciate your willingness to meet with us again. This is Mr. Werfel's first congressional hearing in his new role as Acting IRS Commissioner. I want to congratulate you on your appointment and thank you for taking on this position at such a challenging time. We appreciate your service.

The Committee expects witnesses to be candid and forthcoming. If additional information about the practice of targeting or other topics discussed today comes to light after this hearing, we expect Inspector General George and Mr. Werfel to keep the Committee apprised of the latest information.

I want all members to have an opportunity to ask questions and get answers, so I will keep strict time to keep order and to keep the hearing moving and to get in as many rounds of questions as possible.

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