Chairman Ander Crenshaw

Subcommittee on Financial Services and General Government, House Committee on Appropriations

Fiscal Year 2015 Budget Hearing – Department of the Treasury
April 29, 2014
Opening Statement As Prepared

Good morning. The hearing will come to order. Welcome, Members of the Subcommittee and to our witness Secretary Jack Lew from the Department of the Treasury to consider the President's 2015 budget request.

Mr. Secretary, I know you are pleased that the deficit dropped to 4.1 percent of GDP last year, but the deficit is still the highest that it has ever been, both in real and constant dollars, other than the past four consecutive deficits that exceeded $1 trillion under this Administration. That string of trillion dollar deficits is why the gross Federal debt last year exceeded 100 percent of GDP and will remain there for the rest of this Administration. Neither you nor the President should be pleased with this legacy of debt and credit-rating downgrade.

Mandatory spending in the President's budget is estimated to grow from $2.5 trillion in fiscal year 2014 to $3.6 trillion in fiscal year 2019. By then, gross interest payments alone will exceed $750 billion, dwarfing Defense spending. As such, I am troubled that the Administration did not propose any serious entitlement reforms to prevent further intergenerational inequality. I urge you to work with the Budget Committees and authorizing committees to give the next generation the opportunity to forge their own way forward rather than saddle them with the debts of their grandparents and parents. As an Appropriator, who has driven down discretionary spending every year since fiscal year 2011, I am disappointed that more progress has not been made on the mandatory side of the ledger.

The Department's own budget request is also troublesome. The request seeks:

- more than a $1 billion increase for the IRS;
- authorizing language to pay certain IRS employees bigger salaries and bonuses than allowed under the civil service system;
- eliminating language enacted in the Omnibus to prohibit the IRS from targeting groups for additional scrutiny based on their ideological beliefs and to prohibit the IRS from targeting citizens of the United States for exercising any right guaranteed under the First Amendment; and
- eliminating language requiring videos produced by the IRS to be appropriately reviewed.

Requesting a billion dollars more, eliminating prohibitions against targeting that were negotiated by this Committee, and proposing a new rule for 501(c)(4)s before investigations by Congress and the Department of Justice have been completed will not build trust in the IRS, the Department of the Treasury, or the Federal government, in general. Explaining how the inappropriate criteria came into use, how they were allowed to be used for years, and who is responsible for them is what is needed to assure the public that the IRS can administer the tax code in an impartial and non-partisan manner.

Similar to the Department's 2012, 2013, and 2014 budget requests, the Department is seeking discretionary spending for the IRS above the spending caps by relying on a discretionary cap adjustment that is not in current law. Absent a change to either the Budget Control Act or the Ryan-Murray agreement, $480 million of the IRS' request is both pointless and meaningless. If the $480 million is of importance to the Administration, then the President would have found a way pay for it from the $1.014 trillion allowable under Ryan-Murray rather than use a gimmick that the Budget Committees have rejected for three consecutive years.

In addition, I am interested to hear from you today an update on the final regulations to implement the Foreign Account Tax Compliance Act which will take effect on July 1, 2014. FAT-CA has a profound and far-reaching impact on U.S.-based companies as well as foreign companies with U.S. assets or clients. I am concerned with the amount of time to comply with these regulations when the final rules were released at the end of February, giving many global companies less than five months to comply.

#####