



Chairman Ander Crenshaw

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

FY 2017 Budget Hearing - Internal Revenue Service

February 11, 2016

Opening Statement As Prepared

Good morning, the hearing will come to order.

This is the Subcommittee's first hearing of the year. Welcome to all of our returning Members. We are glad to have you back and, as always, appreciate your dedication and attention to the important issues of this Subcommittee.

Today, we will hear from IRS Commissioner John Koskinen. Welcome, Commissioner. We appreciate you taking the time to be with us this morning and thank you for meeting with us so soon after the budget release.

As a matter of housekeeping, we will follow the 5 minute rule as we did last year. Members will be recognized in order of seniority based on who is seated at the beginning of the hearing, going back and forth between the parties. Late-comers will be recognized in the order of their arrival, going back and forth between the parties. And if everyone will please try to keep their questions and comments to 5 minutes, then this format should allow both Members and witnesses to be heard.

For the past five years, the IRS budget requests have been excessive, averaging \$1.6 billion, or 14 percent, above enacted. This year's request isn't much different. IRS has not received either a dollar or percentage increase of that magnitude over the past 20 years, so history would not seem to be in your favor.

For 2017, the IRS is requesting \$12.3 billion, which is a \$1 billion or a 9.3 percent increase. However, less than twenty percent of the budget increases are for Taxpayer Services, strengthening cybersecurity, and eliminating identity theft. The Committee believes these three activities should be a top priority of the IRS and funded accordingly.

In addition, the budget before us today removes good government provisions that cure what ails the IRS, such as:

- Reviewing the appropriateness of videos,
- Complying with the Federal Records Act,
- Guarding against excessive conference spending,
- Upholding the confidentiality of taxpayer information, and
- Prohibiting the targeting of taxpayers for their ideological beliefs.

Commissioner, last year, I asked you to show Congress and all Americans that it's no longer business as usual at the IRS. So it is hard for the Committee to take seriously this budget request when the IRS asks for an unrealistically high amount that doesn't make customer service a priority, and fails to adopt good government reforms that were added by this Committee.

Moreover, the IRS has fallen short of its mission to provide top-quality tax services and fairness to all.

For far too long, too many calls into the IRS were either abandoned, dropped, or met with a busy signal. Inexcusably, last tax season only 37% of calls were answered by the IRS. Telephone wait times just about tripled from 2010. And the inventory of tax-related identify theft cases rose nearly 150 percent from 2014.

Commissioner, for the past two years, I have asked this agency to make customer service a priority, and each year we learn that the level of customer service diminishes. You may argue it's because the IRS' budget has been cut, but I might argue that it's because the IRS chose to spend its funds on the Affordable Care Act, bonuses, and conferences. Nonetheless, Congress included \$290 million in the omnibus for the IRS to answer the phone and to improve fraud detection and cybersecurity. We expect to see results.

Recent cyberattacks on the federal government and private businesses have all of us worried about identity theft; especially, when it comes to filing taxes. Later today, the Oversight and Government Reform Committee is holding a hearing with your Chief Technology Officer on last week's IRS hardware failure and the destruction of an IRS hard drive, despite a court preservation order to preserve its contents. I look forward to hearing from you today on how the agency is providing taxpayers with both privacy and assistance.

Along the lines of fairness, public confidence in the IRS was deeply betrayed when it came to light that the IRS was using inappropriate criteria for selecting tax-exempt applications for extra scrutiny. The omnibus took a major step toward restoring public confidence in the IRS by including a new provision that prohibits the IRS from using its funds to revise regulations for 501(c)(4) organizations.

The Committee would also caution the IRS against wading into further controversy, such as when it proposed draft regulations that would put charities, or 501(c)(3) organizations, in the position of collecting and reporting the Social Security numbers of their donors to the IRS. Members, including myself, questioned the need for this reporting and were glad to see the IRS formally withdraw the proposed rule. We do not want to see the IRS take a step backwards.

With the budget released this past Tuesday, I look forward to learning how the fiscal year 2017 plan will transform your organization into one that is more customer service oriented which stresses integrity and fairness to all. From what I've been able to observe, past funding cuts have clearly motivated the IRS to deliver more services on-line and to increase automation. Every organization should constantly strive for greater efficiency, but these changes are meaningless without objective measures to evaluate their effectiveness. I would strongly encourage you to report back quantifiable results to the Committee and to remember to accommodate taxpayers who are not as technologically proficient as your workforce.

I would like to thank the Commissioner for his personal dedication to the success of the ABLE Act. It has been a little over a year since the ABLE Act was signed into law and today 37 states have enacted some type of legislation to authorize state ABLE programs. I am happy to announce Florida has a state mandate to have ABLE accounts up and running by July 1.

This would not have been possible without the work of the IRS on the proposed regulations and timely IRS Guidance to simplify ABLE program administration released late last year. As you know, ABLE accounts will provide piece of mind and financial security for millions of American families. And the disability community, and I, are eagerly awaiting the first ABLE accounts to be up and running later this year.

Again, thank you for taking the time to meet with us today Commissioner.

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