114TH CONGRESS
2d Session
HOUSE OF REPRESENTATIVES
REPORT
114–

IRS OVERSIGHT WHILE ELIMINATING SPENDING (OWES) ACT OF 2016

APRIL --, 2016.—Committed to the Committee of the Whole House on the State of the Union and ordered to be printed

Mr. BRADY of Texas, from the Committee on Ways and Means, submitted the following

R E P O R T

together with

Dissenting VIEWS

[To accompany H.R. 4885]

[Including cost estimate of the Congressional Budget Office]

The Committee on Ways and Means, to whom was referred the bill (H.R. 4885) to require that user fees collected by the Internal Revenue Service be deposited into the general fund of the Treasury, having considered the same, reports favorably thereon with an amendment and recommends that the bill as amended do pass.

The amendment is as follows:

Strike all after the enacting clause and insert the following:

SECTION 1. SHORT TITLE.

This Act may be cited as the "IRS Oversight While Eliminating Spending (OWES) Act of 2016".

SEC. 2. DEPOSIT OF IRS USER FEES INTO GENERAL FUND OF THE TREASURY.

(a) IN GENERAL.—The second sentence of section 3 of title I of Public Law 103–329 (26 U.S.C. 7801 note), under the heading "ADMINISTRATIVE PROVISIONS-INTERNAL REVENUE SERVICE", is amended by striking "The Secretary of the Treasury may spend" and all that follows through "and thereafter:" and inserting the following: "Any fees collected pursuant to this section shall be deposited in the general fund of the Treasury and shall not be expended by the Internal Revenue Service unless provided by an appropriations Act:".

(b) CONFORMING AMENDMENT.—The last proviso of such section is amended by striking "and how they are being expended by the Service".

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to fees collected after the date of the enactment of this Act.

CONTENTS

I. SUMMARY AND BACKGROUND

A. Purpose and Summary

H.R. 4885, reported by the Committee on Ways and Means, repeals the provision of current law that allows the Internal Revenue Service (IRS) to spend user fees collected by the agency without Congressional approval or appropriation. The proposal would require that all IRS user fees collected by the agency be deposited into the general fund of the Department of the Treasury, and therefore be subject to Congressional appropriations.

B. Background and Need for Legislation

The IRS collects user fees for a variety of programs and services, including private letter rulings, determinations, installment agreements and other matters. Under current law, the IRS has authority to allocate funds from its user-fee account as the agency sees fit, without Congressional approval or appropriation. Historically, the user-fee account has primarily supported taxpayer services. However, the Subcommittee on Oversight found that in fiscal year 2015 the IRS deliberately diverted resources away from taxpayer services and towards other agency functions including implementation of the Affordable Care Act.[1] In fiscal year 2014, the IRS spent $183 million in user fees on taxpayer services, which was 44 percent of the user-fee account.[2] In fiscal year 2015, however, the agency spent only $49 million on taxpayer services, or 10 percent of the user-fee account.[3] That decision amounted to a 73-percent reduction in user fees allocated to taxpayer services, and a 6-percent decrease in total funding for taxpayer assistance. The IRS' decision to divert money in the user-fee account away from taxpayer assistance contributed to a level of taxpayer service that even the IRS Commissioner called "abysmal" for 2015.[4] H.R. 4885 improves Congressional oversight of the IRS and limits the agency's ability to manipulate its funding.

C. Legislative History

Background

H.R. 4885 was introduced on March 23, 2016, and was referred to the Committee on Ways and Means.

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[1] Doing Less with Less: The IRS's Spending Decisions Harm Taxpayers," Committee on Ways and Mean majority staff report; available at: http://waysandmeans.house.gov/wp-content/uploads/2015/07/4.21.15-Tax-Filing-Report.pdf.

[2] *Ibid.*.

[3] *Ibid.*.

[4] *Ibid.*.

Committee action

The Committee on Ways and Means marked up H.R. 4885, the IRS Oversight While Eliminating Spending (OWES) Act, on April 13, 2016, and ordered the bill, as amended, favorably reported (with a quorum being present).

Committee hearings

The need for improved taxpayer service and appropriate use of funds by the IRS was discussed at an Oversight Subcommittee hearing on the 2015 Tax Filing Season (April 22, 2015).

II. EXPLANATION OF THE BILL

A. Requirement that User Fees Collected by the Internal Revenue Service be Deposited into the General Fund of the Treasury

Present Law

Federal agencies may establish fees for certain services provided by the agencies,[5] if the charges are fair, based on the costs to the government, the value of the service to the recipient, the public policy or interest served, and other relevant facts. Those policies currently are set by the Office of Management and Budget ("OMB").[6] The Internal Revenue Service collects user fees for a broad variety of services that are of value to the requesting taxpayers, ranging from advanced pricing agreements to installment agreements.[7] Since 1994, the proceeds of user fees have been available to the Internal Revenue Service to supplement appropriations each fiscal year.[8]

Reasons for Change

Review of the IRS budget allocations to customer service reveals that the IRS moved discretionary funds it collected as proceeds of user fees away from customer service to fund other aspects of tax administration, including implementation of recent legislation. Congress believes user fees collected to compensate the IRS for providing certain taxpayer services should be used to provide customer service. The Committee believes greater accountability of the IRS can be achieved by direct appropriations rather than allowing IRS discretionary spending.

Explanation of Provision

The proceeds of user fees collected by the Internal Revenue Service are no longer available to the agency absent appropriation. All such fees must be deposited into the general fund of the Treasury.

Effective Date

The provision is effective with respect to fees collected after the date of enactment.

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[5] The Independent Offices Appropriations Act of 1952 (IOAA), 65 Stat. B70, (June 27, 1951). See also 31 U.S. Sec. 9701.

[6] OMB Circular A-25, 58 FR 38142 (July 15, 1993).

[7] A discussion of the IRS practice regarding user fees and a list of actions for which fees are charged is included in the Internal Revenue Manual. See "User Fees," paragraph 1.32.19 IRM, available at https://www.irs.gov/irm/part1/irm_01-032-019.html.

[8] Title I, section 3, Public Law No. 103-329 (September 30, 1995).

III. VOTES OF THE COMMITTEE

In compliance with clause 3(b) of rule XIII of the Rules of the House of Representatives, the following statement is made concerning the vote of the Committee on Ways and Means in its consideration of H.R. 4885, a bill require that user fees collected by the Internal Revenue Service be deposited into the general fund of the Treasury.

The Chairman's amendment in the nature of a substitute was adopted by a voice vote (with a quorum being present).

The bill, H.R. 4885, as amended, was ordered favorably reported to the House of Representatives by a roll call vote of 24 yeas to 14 nays (with a quorum being present).

Representative	Yea	Nay	Present	Representative	Yea	Nay	Present
Mr. Brady	✓			Mr. Levin		✓	
Mr. Johnson	✓			Mr. Rangel		✓	
Mr. Nunes	✓			Mr. McDermott		✓	
Mr. Tiberi	✓			Mr. Lewis		✓	
Mr. Reichert	✓			Mr. Neal		✓	
Mr. Boustany	✓			Mr. Becerra		✓	
Mr. Roskam	✓			Mr. Doggett		✓	
Mr. Price	✓			Mr. Thompson		✓	
Mr. Buchanan	✓			Mr. Larson		✓	
Mr. Smith (NE)	✓			Mr. Blumenauer		✓	
Ms. Jenkins	✓			Mr. Kind		✓	
Mr. Paulsen	✓			Mr. Pascrell		✓	
Mr. Marchant	✓			Mr. Crowley			
Ms. Black	✓			Mr. Davis		✓	
Mr. Reed	✓			Ms. Sanchez		✓	
Mr. Young	✓						
Mr. Kelly	✓						
Mr. Renacci	✓						
Mr. Meehan	✓						
Ms. Noem	✓						
Mr. Holding	✓						
Mr. Smith (MO)	✓						
Mr. Dold	✓						
Mr. Rice	✓						

IV. BUDGET EFFECTS OF THE BILL

A. Committee Estimate of Budgetary Effects

In compliance with clause 3(d) of rule XIII of the Rules of the House of Representatives, the following statement is made concerning the effects on the budget of the bill, H.R. 4885, as reported.

The bill, as reported, is estimated to have a negligible effect on Federal fiscal year budget receipts for the period 2016-2026.

Pursuant to clause 8 of rule XIII of the Rules of the House of Representatives, the following statement is made by the Joint Committee on Taxation with respect to the provisions of the bill amending the Internal Revenue Code of 1986: The gross budgetary effect (before incorporating macroeconomic effects) in any fiscal year is less than 0.25 percent of the current projected gross domestic product of the United States for that fiscal year; therefore, the bill is not "major legislation" for purposes of requiring that the estimate include the budgetary effects of changes in economic output, employment, capital stock and other macroeconomic variables.

B. Statement Regarding New Budget Authority and Tax Expenditures Budget Authority

In compliance with clause 3(c)(2) of rule XIII of the Rules of the House of Representatives, the Committee states that the bill involves no new or increased budget authority. The Committee further states that there are no new or increased tax expenditures.

C. Cost Estimate Prepared by the Congressional Budget Office

In compliance with clause 3(c)(3) of rule XIII of the Rules of the House of Representatives, requiring a cost estimate prepared by the CBO, the following statement by CBO is provided.

[Insert A – CBO letter/estimate]

V. OTHER MATTERS TO BE DISCUSSED UNDER THE RULES OF THE HOUSE

A. Committee Oversight Findings and Recommendations

With respect to clause 3(c)(1) of rule XIII of the Rules of the House of Representatives (relating to oversight findings), the Committee advises that it was as a result of the Committee's review of the provisions of H.R. 4885 that the Committee concluded that it is appropriate to report the bill, as amended, favorably to the House of Representatives with the recommendation that the bill do pass.

B. Statement of General Performance Goals and Objectives

With respect to clause 3(c)(4) of rule XIII of the Rules of the House of Representatives, the Committee advises that the bill contains no measure that authorizes funding, so no statement of general performance goals and objectives for which any measure authorizes funding is required.

C. Information Relating to Unfunded Mandates

This information is provided in accordance with section 423 of the Unfunded Mandates Reform Act of 1995 (Pub. L. No. 104-4).

The Committee has determined that the bill contains no unfunded mandate on the private sector, nor does it impose a Federal intergovernmental mandate on State, local, or tribal governments.

D. Applicability of House Rule XXI 5(b)

Rule XXI 5(b) of the Rules of the House of Representatives provides, in part, that "A bill or joint resolution, amendment, or conference report carrying a Federal income tax rate increase may not be considered as passed or agreed to unless so determined by a vote of not less than three-fifths of the Members voting, a quorum being present." The Committee has carefully reviewed the bill and states that the bill does not involve any Federal income tax rate increases within the meaning of the rule.

E. Tax Complexity Analysis

Section 4022(b) of the Internal Revenue Service Restructuring and Reform Act of 1998 ("IRS Reform Act") requires the staff of the Joint Committee on Taxation (in consultation with the Internal Revenue Service and the Treasury Department) to provide a tax complexity analysis. The complexity analysis is required for all legislation reported by the Senate Committee on Finance, the House Committee on Ways and Means, or any committee of conference if the legislation includes a provision that directly or indirectly amends the Internal Revenue Code of 1986 and has widespread applicability to individuals or small businesses.

Pursuant to clause 3(h)(1) of rule XIII of the Rules of the House of Representatives, the staff of the Joint Committee on Taxation has determined that a complexity analysis is not

required under section 4022(b) of the IRS Reform Act because the bill contains no provisions that amend the Internal Revenue Code of 1986 and that have "widespread applicability" to individuals or small businesses, within the meaning of the rule.

F. Congressional Earmarks, Limited Tax Benefits, and Limited Tariff Benefits

With respect to clause 9 of rule XXI of the Rules of the House of Representatives, the Committee has carefully reviewed the provisions of the bill and states that the provisions of the bill do not contain any congressional earmarks, limited tax benefits, or limited tariff benefits within the meaning of the rule.

G. Duplication of Federal Programs

In compliance with Sec. 3(g)(2) of H. Res. 5 (114th Congress), the Committee states that no provision of the bill establishes or reauthorizes: (1) a program of the Federal Government known to be duplicative of another Federal program, (2) a program included in any report from the Government Accountability Office to Congress pursuant to section 21 of Public Law 111-139, or (3) a program related to a program identified in the most recent Catalog of Federal Domestic Assistance, published pursuant to the Federal Program Information Act (Public Law 95-220, as amended by Public Law 98-169).

H. Disclosure of Directed Rule Makings

In compliance with Sec. 3(i) of H. Res. 5 (114th Congress), the following statement is made concerning directed rule makings: The Committee estimates that the bill requires no directed rule makings within the meaning of such section.

VI. CHANGES IN EXISTING LAW MADE BY THE BILL, AS REPORTED

A. Text of Existing Law Amended or Repealed by the Bill, as Reported

In compliance with clause 3(e)(1)(A) of rule XIII of the Rules of the House of Representatives, the text of each section proposed to be amended or repealed by the bill, as reported, is shown below:

[Insert B –Ramseyer entire text]

B. Changes in Existing Law Proposed by the Bill, as Reported

In compliance with clause 3(e)(1)(B) of rule XIII of the Rules of the House of Representatives, changes in existing law proposed by the bill, as reported, are shown as follows (existing law proposed to be omitted is enclosed in black brackets, new matter is printed in italics, existing law in which no change is proposed is shown in roman):

[Insert C – Ramseyer comparative print]

VII. DISSENTING VIEWS

[Insert D – Dissenting Views]

CONGRESSIONAL BUDGET OFFICE
U.S. Congress
Washington, DC 20515

Keith Hall, Director

April 18, 2016

Honorable Kevin Brady
Chairman
Committee on Ways and Means
U.S. House of Representatives
Washington, DC 2051

Dear Mr. Chairman:

The Congressional Budget Office has prepared the enclosed cost estimate for H.R. 4885, the IRS Oversight While Eliminating Spending (OWES) Act of 2016.

If you wish further details on this estimate, we will be pleased to provide them. The CBO staff contact is Matthew Pickford, who can be reached at 226-2860.

Sincerely,

Keith Hall

Enclosure

cc: Honorable Sander M. Levin
Ranking Member

CONGRESSIONAL BUDGET OFFICE
COST ESTIMATE

April 18, 2016

H.R. 4885
IRS Oversight While Eliminating Spending (OWES) Act of 2016

As ordered reported by the House Committee on Ways and Means on April 13, 2016

SUMMARY

Under current law, the Internal Revenue Service (IRS) is authorized to establish or increase fees for some of its services and to spend those fees without further appropriation. H.R. 4885 would amend current law to require that the spending of those user fees would be subject to annual appropriation.

CBO estimates that enacting H.R. 4885 would reduce direct spending by $3.4 billion over the 2017-2026 period; therefore pay-as-you-go procedures apply. Enacting the bill would not affect revenues. CBO also estimates that implementing the bill would increase the need for appropriations for the IRS by $3.4 billion over the 2017-2026 period.

CBO estimates that enacting the legislation would not increase net direct spending or on-budget deficits in any of the four consecutive 10-year periods beginning in 2027.

The staff of the Joint Committee on Taxation (JCT) has determined that H.R. 4885 contains no intergovernmental or private-sector mandates as defined in the Unfunded Mandates Reform Act (UMRA).

ESTIMATED COST TO THE FEDERAL GOVERNMENT

The estimated budgetary effect of H.R. 4885 is shown in the following table. The costs of this legislation fall within budget function 800 (general government).

	By Fiscal Year, in Millions of Dollars											
	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2017-2021	2017-2026
DECREASE IN DIRECT SPENDING												
Estimated Budget Authority	-350	-350	-350	-350	-350	-350	-350	-350	-350	-350	-1,750	-3,500
Estimated Outlays	-301	-336	-350	-350	-350	-350	-350	-350	-350	-350	-1,687	-3,437
INCREASE IN SPENDING SUBJECT TO APPROPRIATION												
Estimated Authorization Level	350	350	350	350	350	350	350	350	350	350	1,750	3,500
Estimated Outlays	301	336	350	350	350	350	350	350	350	350	1,687	3,437

BASIS OF ESTIMATE

For this estimate, CBO assumes that the bill will be enacted in late calendar year 2016, the necessary amounts will be appropriated each year, and spending will follow historical patterns for the IRS.

H.R. 4885 would terminate the authority of the IRS to spend user fees without appropriation action. Based on information from the IRS, CBO estimates that enacting the bill would reduce direct spending by about $3.4 billion over the 2017-2026 period.

Because CBO expects that the operating expenses for the IRS would remain the same under the bill, CBO estimates that implementing the bill would cost $3.4 billion over the 2017-2026 period, assuming appropriation of the estimated amounts.

PAY-AS-YOU-GO CONSIDERATIONS

The Statutory Pay-As-You-Go Act of 2010 establishes budget-reporting and enforcement procedures for legislation affecting direct spending or revenues. The net changes in outlays that are subject to those pay-as-you-go procedures are shown in the following table.

CBO Estimate of Pay-As-You-Go Effects for H.R. 4885, as ordered reported by the House Committee on Ways and Means on April 13, 2016

	By Fiscal Year, in Millions of Dollars												
	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2016-2021	2016-2026
NET DECREASE (-) IN THE DEFICIT													
Statutory Pay-As-You-Go Impact	0	-301	-336	-350	-350	-350	-350	-350	-350	-350	-350	-1,687	-3,437

INCREASE IN LONG-TERM DIRECT SPENDING AND DEFICITS

CBO estimates that enacting the legislation would not increase net direct spending or on-budget deficits in any of the four consecutive 10-year periods beginning in 2027.

INTERGOVERNMENTAL AND PRIVATE-SECTOR IMPACT

JCT has determined that H.R. 4885 contains no intergovernmental or private-sector mandates as defined UMRA.

ESTIMATE PREPARED BY:

Federal Costs: Matthew Pickford
Intergovernmental and Private-Sector Impact: The staff of the Joint Committee on Taxation

ESTIMATE APPROVED BY:

H. Samuel Papenfuss
Deputy Assistant Director for Budget Analysis

CHANGES IN EXISTING LAW MADE BY THE BILL, AS REPORTED

In compliance with clause 3(e)(1)(A) of rule XIII of the Rules of the House of Representatives, the text of each section proposed to be amended or repealed by the bill, as reported, is shown below:

TREASURY, POSTAL SERVICE AND GENERAL GOVERNMENT APPROPRIATIONS ACT, 1995

(Public Law 103–329)

* * * * * * *

TITLE I—DEPARTMENT OF THE TREASURY

* * * * * * *

INTERNAL REVENUE SERVICE

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ADMINISTRATIVE PROVISIONS—INTERNAL REVENUE SERVICE

SEC. 3. The Secretary of the Treasury may establish new fees or raise existing fees for services provided by the Internal Revenue Service to increase receipts, where such fees are authorized by another law. The Secretary of the Treasury may spend the new or increased fee receipts to supplement appropriations made available to the Internal Revenue Service appropriations accounts in fiscal years 1995 and thereafter: Provided, That the Secretary shall base such fees on the costs of providing specified services to persons paying such fees: Provided further, That the Secretary shall provide quarterly reports to the Congress on the collection of such fees and how they are being expended by the Service.

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CHANGES IN EXISTING LAW MADE BY THE BILL, AS REPORTED

In compliance with clause 3(e)(1)(B) of rule XIII of the Rules of the House of Representatives, changes in existing law proposed by the bill, as reported, are shown as follows (existing law proposed to be omitted is enclosed in black brackets, new matter is printed in italics, and existing law in which no change is proposed is shown in roman):

TREASURY, POSTAL SERVICE AND GENERAL GOVERNMENT APPROPRIATIONS ACT, 1995

(Public Law 103–329)

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TITLE I—DEPARTMENT OF THE TREASURY

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INTERNAL REVENUE SERVICE

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ADMINISTRATIVE PROVISIONS—INTERNAL REVENUE SERVICE

SEC. 3. The Secretary of the Treasury may establish new fees or raise existing fees for services provided by the Internal Revenue Service to increase receipts, where such fees are authorized by another law. [The Secretary of the Treasury may spend the new or increased fee receipts to supplement appropriations made available to the Internal Revenue Service appropriations accounts in fiscal years 1995 and thereafter:] *Any fees collected pursuant to this section shall be deposited in the general fund of the Treasury and shall not be expended by the Internal Revenue Service unless provided by an appropriations Act:* Provided, That the Secretary shall base such fees on the costs of providing specified services to persons paying such fees: Provided further, That the Secretary shall provide quarterly reports to the Congress on the collection of such fees [and how they are being expended by the Service].

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Congress of the United States
U.S. House of Representatives
COMMITTEE ON WAYS AND MEANS
1102 LONGWORTH HOUSE OFFICE BUILDING
(202) 225–3625
Washington, DC 20515–6348
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April 14, 2016

Dissenting Views for H.R. 4885

We oppose H.R. 4885, the IRS Oversight While Eliminating Spending (OWES) Act of 2016, which would eliminate the ability of the IRS to supplement its annual funding appropriation with user fees. The IRS charges user fees for a variety of services that it provides to the public, such as providing tax transcripts to verify income for consumer loans. IRS user fee collections annually range from $400 to $500 million, and represent around 4% of IRS's annual budget. H.R. 4885 would instead require that IRS place its user fee income in the Treasury general fund and would prohibit IRS from spending any of that income without express Congressional authorization.

We oppose H.R. 4885 because it is a disguised budget cut for the IRS. The Majority has cut over $1 billion from the IRS since 2010. As a result, the agency has been forced to cut 12,000 full-time jobs, has reduced employee training, and has delayed critical upgrades to information technology. The agency is auditing fewer taxpayers—the current audit rate of less than 1% of taxpayers is the lowest level in a decade.

We object to this dangerous level of underfunding for a critical government agency; and, we oppose H.R. 4885 because it represents an additional 4% budget cut annually for an agency that is already underfunded.

The Honorable Sander M. Levin
Ranking Member