

**WRITTEN TESTIMONY OF
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BEFORE THE
HOUSE OVERSIGHT AND REFORM COMMITTEE
SUBCOMMITTEE ON GOVERNMENT OPERATIONS
ON IRS OPERATIONS AND COVID-19 RECOVERY
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INTRODUCTION

Chairman Connolly, Ranking Member Hice and Members of the Subcommittee, thank you for the opportunity to discuss IRS operations, especially the work we have been doing to help taxpayers during the COVID-19 pandemic.

Nearly two years into my term as Commissioner, I remain extremely proud to be working for the IRS and excited about the future of our agency. My experiences as Commissioner have strengthened my belief that a fully functioning IRS is critical to the success of our nation. In Fiscal Year (FY) 2019, the IRS collected \$3.56 trillion in taxes and generated almost 96 percent of the funding that supports the Federal Government's operations. We serve and interact with more Americans than any other public or private organization.

The importance of the IRS to every American has become especially apparent over the last several months as our nation has faced unprecedented challenges, and IRS employees have responded admirably by quickly facilitating financial assistance to millions of deserving and needy Americans. People at the IRS continually demonstrate just how much they care, and how important the agency is to our country, by their heroic response to events this year.

At the same time, the IRS continues to remain focused on its core mission, striving to serve taxpayers in a manner that facilitates voluntary compliance by providing meaningful guidance and proper levels of staffing and support at points of significant taxpayer interaction.

In the year ahead, the IRS has many important changes on the horizon. We have embarked on a journey about how best to provide our services and how we are currently organized as we work toward implementation of the Taxpayer First Act. We want to earn the trust and respect of every American and improve our working relationships with taxpayers and others in the tax community. We will also continue implementation of the IRS Integrated Business Modernization plan released last year.

We respect and serve every taxpayer, none more or less so than any other. We must operate from their perspective, enhancing their experiences while striving to provide clear language, wherever possible, in our guidance and services. In support of compliant taxpayers, we must aggressively pursue non-compliant taxpayers by maintaining robust, visible civil and criminal enforcement efforts. We are making a difference, and we will not stop in the successful pursuit of our mission on behalf of our great country.

PROVIDING RELIEF TO TAXPAYERS DURING THE COVID-19 PANDEMIC

Delivering Economic Impact Payments

IRS employees have worked around the clock since mid-March to develop new tools and deliver meaningful guidance to simultaneously deliver Economic Impact Payments (EIP) in record time while still keeping the annual filing season on track. In fact, millions of Americans started seeing EIPs show up in their banking accounts within 14 days after the CARES Act was enacted on March 27.

So far, more than 160 million payments totaling more than \$270 billion have been delivered, most by direct deposit and some by paper check or prepaid debit card. Some payments represent funds for a single individual and some for more than one individual, such as a married couple or people with eligible dependents.

In our efforts to deliver the Economic Impact Payments, we balanced the statutory requirement to provide the payments as “rapidly as possible” with the need for accuracy and concern about potential fraud. The Treasury Inspector General for Tax Administration noted in a June report that the IRS correctly computed the payment amount for approximately 98 percent of the more than 157 million EIPs issued as of May 21, 2020.

The vast majority of people did not need to take any action to receive an Economic Impact Payment. The IRS calculated and automatically sent the payments to those eligible, including many people who may not normally file returns, such as senior citizens and others receiving Social Security retirement, survivors or disability benefits and railroad retirees. The IRS also issued EIPs to those whose only income is from Supplemental Security Income (SSI) payments and people receiving disability compensation, pension or survivor benefits from the Department of Veterans Affairs (VA).

The IRS worked cooperatively with the Social Security Administration and the VA and other government agencies to pull more information into our systems so that we could send payments to these groups of people without requiring them to file a return or take any other action. These agencies provided critical help that allowed the IRS to reduce the burden for these individuals, including reducing the need for them to seek in-person tax return preparation to file a return. This effort is a

significant step beyond anything the IRS was able to do during previous stimulus efforts to help taxpayers.

In addition, the IRS provided two new online tools to help quickly deliver the EIPs:

- The **Non-Filers** tool launched on IRS.gov on April 10 allows people who normally don't have a filing obligation to enter basic information so that they receive their payment. It is available in English and Spanish. So far, there have been more than 6.7 million individuals who have successfully provided their information using the Non-Filers tool.
- The **Get My Payment** tool, which launched on IRS.gov on April 15 and is also available in English and Spanish, allows many taxpayers to check the status of their payment or enter their bank account information to receive their payment electronically, if it was not already provided on a 2019 or 2018 tax return or through the Non-Filers tool.

So far, there have been more than 200 million successful status checks on Get My Payment. And more than 14 million people have successfully provided their banking information, meaning they received, or will receive, their payments much more quickly via direct deposit.

Although the IRS has sent out the vast majority of these payments, it continues its extensive outreach efforts into the historically underserved communities of our nation. We have remained especially focused on getting payments out to people who are homeless, who don't normally have a return filing obligation, or who otherwise live their life outside normal lines of communication.

The IRS is taking every possible step to reach potential EIP recipients. We have extended our reach far beyond our normal contacts to many lower-income, military, veterans, retired, older, limited English proficient, and homeless communities around the country. In fact, we have worked with our partners to distribute EIP outreach materials in 35 languages within these communities.

We have been asking for assistance from hundreds of local community groups and religious organizations as well as the national associations to which they belong and numerous others to reach into their respective communities. To support their efforts, we developed a special online toolkit containing helpful information for them to use in identifying and getting the word out to people who qualify for EIPs. The toolkit can be found on our website by going to [IRS.gov/EIPpartners](https://www.irs.gov/EIPpartners), or searching for "IRS Publication 5420-A." We also provided information regarding a similar online toolkit to every Member of Congress.

We have been encouraging everyone to share this information so the IRS can distribute EIPs to those in need.

Also as part of this effort, we mailed a letter to roughly nine million Americans who haven't received an EIP and didn't file a return for either 2018 or 2019. These

letters started being mailed in mid-September, and the mailings were completed by the end of the month. We performed an extensive internal analysis and found these are people who don't typically have a tax return filing requirement but had received Forms W-2, 1099s and other third-party statements. We sent letters so recipients could apply for EIPs since we lack certain information, such as whether they became a dependent in 2020, and may actually be ineligible to receive an EIP.

Implementing Business Tax Relief

Along with EIPs for individuals, the IRS has also been working to make sure businesses know about important tax relief available to them, and we continue to provide guidance about business tax relief. The relief measures include:

- *Credit for Sick and Family Leave.* Eligible employers are entitled to receive a credit in the full amount of the required sick leave and family leave that the law provides to employees dealing with health and family issues related to the coronavirus between April 1 and December 31, 2020. The amount of this credit claimed on returns processed thus far is more than \$296 million.
- *Employee Retention Credit.* This credit is designed to encourage businesses to keep employees on their payroll. The refundable tax credit is 50 percent of up to \$10,000 in qualified wages paid by employers financially affected by COVID-19. Qualifying wages – including health plan expenses – are those paid after March 12, 2020 and before January 1, 2021. The amount of this credit claimed on returns processed thus far is more than \$2.8 billion.
- *Carryback for Net Operating Losses.* The CARES Act includes a provision allowing businesses to carry back net operating losses over five years. The IRS has issued Revenue Procedures 2020-23 and 2020-24 and Notice 2020-26 to clarify this provision and help businesses and partnerships take advantage of the relief it provides.

Providing Administrative Relief and Protecting Taxpayers

Along with implementing the CARES Act, the IRS provided significant administrative relief to ease the burden on people facing tax issues:

- A postponement of the deadline for individuals to file federal returns and pay federal income tax from April 15, 2020, to July 15, 2020. This relief covered all taxpayers with a tax return filing deadline or payment due date between April 1, 2020, and July 15, 2020.
- The IRS People First Initiative, under which we temporarily adjusted our processes to help people and businesses during these uncertain times. This included limiting certain collection and examination activities.
- Implementation of the Presidential Memorandum on employee tax deferral. The IRS, working with Treasury, issued Notice 2020-65 on Aug. 28 implementing the memorandum to provide information to the payroll community, employers and others.

It is also important to note that the IRS has been diligently working to alert taxpayers and tax professionals to scams related to COVID-19, especially calls and email phishing attempts tied to the Economic Impact Payments. The IRS and its partners throughout the country have been making every effort to get the word out about these contacts, which can lead to tax-related fraud and identity theft.

IRS Operations During the COVID-19 Pandemic

The IRS's efforts to provide relief to taxpayers came during Filing Season 2020 and a time when the agency had to temporarily scale back operations to protect the health and safety of both IRS employees and taxpayers. Even with our reduced operations, the IRS continued to successfully deliver the tax filing season, by processing electronic tax returns, issuing direct deposit tax refunds and accepting electronic payments. A more detailed discussion of the 2020 tax filing season is provided below.

During this time, the IRS has been using innovative approaches to make sure our employees can deliver on the agency's mission:

- We have set records for the number of IRS employees teleworking, thanks to the continued support of our Information Technology (IT) division;
- Our IT systems continue to perform at a high level. Our internal networks are supporting approximately 57,000 employees online at the same time, all in a secure environment;
- IT provided the equipment necessary to allow thousands of our customer service representatives (CSR) to telework, which gave critical help to the IRS in its efforts to resume phone assistance to taxpayers while maintaining the safety of employees during the COVID pandemic;
- Our external-facing IT systems also continue to work extremely well, including filing season systems as well as IRS.gov tools; and
- We are able to continue bringing on new employees through the use of a Virtual Onboarding Process that is proving to be very successful.

We have also been continuing the agency's ongoing work to find new ways to serve taxpayers, including our efforts to expand online and other options for them. For example, this summer for the first time we began offering an electronic filing option for taxpayers who need to amend their income tax returns.

Providing an online filing option for the amended return – also known as Form 1040-X – has been an IRS goal for many years and is a major milestone for us. Electronically accepting Form 1040-X posed a number of unique challenges, but we succeeded thanks to a great deal of hard work by employees across the agency.

Resuming Operations and Answering Taxpayer Needs

This summer, the IRS began a phased-in resumption of operations for non-portable services, as more states and local areas also began reopening. As we continue our work during this unusual period, we are aware of the continuing taxpayer needs and the backlog of work at our campus and office locations. We are doing everything we can to reduce this backlog, including providing relief for taxpayers who have sent us mail that was unopened for a period of time. For example:

- For people who had tax refunds affected by our closure, the IRS is paying interest on refunds. These payments, which can sometimes show up as a second deposit, average \$18 for nearly 14 million taxpayers.
- We are also crediting people in instances where there is unopened mail and they are making a payment. We credit people on the date the mail was received, not the day we process the payment.

As difficult as these last months have been, we have seen many examples of how this crisis has brought out the best in people, including the IRS workforce. I am proud of what our employees have accomplished during the pandemic. Our employees shared the same health and safety concerns for themselves and their families as every other American. However, they not only went the extra mile in doing their jobs; they also made a difference in their communities.

For example, we saw IRS employees across the country doing some amazing things: getting out their sewing machines and creating homemade face masks for family members and friends; donating essentials to protect first responders on the front lines in their communities; and delivering “care packages” to seniors in nursing homes. During this summer’s Feds Feed Families Campaign, employees at our Memphis Campus donated a record-breaking 51,800 pounds of food to the Mid-South Food Bank!

Another good example of providing help during the pandemic involved our Criminal Investigation division. A group of 12 special agents deployed to Travis Air Force Base in Fairfield, California, in March. They helped provide security and quarantine enforcement at hospitals and other locations, such as COVID-19 quarantine sites operated by the Centers for Disease Control and Prevention.

It is important to note that, in addition to their efforts during the pandemic, IRS employees routinely deliver in times of need for the nation when disasters strike. Over the past six years, more than 9,000 IRS phone assistors have stepped up to help take the burden off the Federal Emergency Management Agency’s call centers in the aftermath of hurricanes and other natural disasters, answering an estimated 1.3 million calls from storm survivors seeking help. We have also had many agents from our Criminal Investigation division provide their help and expertise during disasters. For example, in September a team of about two dozen

special agents deployed to Oregon in support of those fighting wildfires in that state.

UPDATE ON THE 2020 FILING SEASON

I am pleased to report that the 2020 filing season opened on time on January 27. On that first day, we set records by processing more than 2.275 million e-filed returns in an hour and at a rate of 631 submissions per second, without error. The previous records were set last year at the rates of 1.9 million submissions in an hour at 536 per second on January 28, 2019.

Notwithstanding obvious concerns about the spread of COVID-19, our employees have remained dedicated to delivering the filing season for taxpayers. As of September 11, the IRS received more than 158.2 million individual returns, and we have issued more than 120.5 million refunds for more than \$295.2 billion.

A critical component of the tax filing season is the help IRS provides taxpayers to ensure they can fulfill their filing obligations. The IRS must be focused on enhancing the experience of all taxpayers, including those who are unrepresented, lower-income, or have limited English proficiency. This focus dictates we maintain appropriate levels of staffing, training and systems modernization to be successful.

This year's filing season was particularly challenging in that taxpayers could not depend on many of the usual outlets for assistance. I am proud of our past and look forward to future efforts to support the VITA and Tax Counseling for the Elderly (TCE) programs. Unfortunately, due to the current COVID-19 situation, most of these partners had to suspend their operations. In a normal year, the IRS supports approximately 11,000 VITA/TCE sites (including military bases) around the country, which are staffed by more than 82,000 volunteers, many of whom are current IRS employees and retirees. During this filing season, before sites were closed, volunteers at VITA and TCE sites helped prepare more than 2 million individual returns!

Improving Service to Diverse Communities

We view our efforts through the eyes and experience of those we proudly serve. An important way the IRS serves taxpayers during the filing season and throughout the year is by communicating with them in their most comfortable language. The IRS has had a long history of providing major communications products in Spanish. We also have for some time provided tax information and free products and services in Chinese, Korean, Russian and Vietnamese. Examples include the Taxpayer Bill of Rights and key products related to the Tax Cuts and Jobs Act. And the IRS has expanded its efforts to use multiple languages on social media platforms, including Twitter and Instagram.

We have greatly expanded our efforts into additional languages, and we are striving to do still more. We have been taking a number of aggressive steps to expand information and assistance available to taxpayers in additional languages, including providing the Form 1040 in Spanish for the first time. In addition to being available in English and Spanish, the 2020 Form 1040 will also give taxpayers the opportunity to indicate whether they wish to be contacted in a language other than English. This is a new feature available for the first time this coming filing season.

Other changes include making Publication 1, *Your Rights as a Taxpayer*, available in 20 languages. We are planning to provide a new, streamlined version of Publication 17, *Your Federal Income Tax*, next year in seven languages – English, Spanish, Vietnamese, Russian, Korean and Chinese (Simplified and Traditional).

Additionally, many of the pages on the IRS.gov site are now available in seven languages, and basic tax information on our website is newly available in 20 languages. And taxpayers who interact with an IRS representative now have access to over-the-phone interpreter services in more than 350 languages! The IRS has also recently begun inserting information about translation services and other multilingual options into the high-volume notices we send out to taxpayers. Our diverse workforce is proud to be reflective of the diverse communities we serve.

Looking Ahead to the 2021 Filing Season

Understanding the need to plan for the future and the desire to maintain a safe operating environment, the agency will continue operating under its current posture until further notice. For the majority of employees who have portable work and have been performing their duties at home, they will continue to do so. Those employees recalled to the office will continue to work in that capacity. This will ensure social distancing for IRS employees who do not have portable work.

This decision means a variety of things for taxpayers and the tax professional community.

- For taxpayers, we continue to ask them to use electronic tools to the extent possible, including filing electronically and visiting IRS.gov. Our face-to-face operations will be extremely limited.
- For tax professionals, we will continue to do everything we can to help them with their important work assisting taxpayers.

As part of these efforts, the IRS continues to find ways to provide virtual services for practitioners wherever possible to ensure the critical work of the agency continues. This summer, for example, we moved quickly to shift our Nationwide Tax Forums for tax professionals into an all-virtual set-up rather than handling these in person at locations across the country. And in our 30th year of offering the forums, I'm proud to report our virtual version still attracted more than 10,000 practitioners from across the country.

The IRS has been preparing for the 2021 tax filing season for months. When one filing season ends, we are already well into preparations for the next in terms of identifying and planning for needed hiring, and for updates to forms and instructions, processing and programming. For the upcoming filing season, we believe it will be more important than ever for taxpayers to take advantage of e-filing and our online and virtual services to help them with their taxes.

We will continue to balance responding to these urgent tax administration needs with doing everything possible to protect taxpayers and our employees. And we will continue to follow – and, where possible, exceed – applicable safety guidelines and measures. I remain confident the IRS will deliver for the nation, just as it has during other times of national urgency.

ENSURING TAX COMPLIANCE

The IRS is committed to having a strong, visible, robust tax enforcement presence to appropriately support taxpayers who comply voluntarily. When taxpayers file their returns, they should feel confident others are doing the right thing too. Enforcement of the tax laws is critical to ensuring fairness in our tax system. IRS employees who collect taxes, audit returns and investigate fraud as well as tax-related identity theft work hard throughout the year to enforce the tax laws while treating taxpayers fairly and respecting their rights.

The IRS remains extremely active in the enforcement area. This is true across our agency – in our divisions that deal with individuals, large businesses, small businesses and exempt organizations are highly coordinated. In all our enforcement efforts, the IRS must emphasize the use of technology to develop new enforcement tools. Our advanced data and analytic strategies allow us to catch instances of tax evasion that would not have been possible just a few years ago.

We realize when the public thinks of compliance, they think of audits, but there is so much more to our work to ensure compliance with the tax law and serve the nation. This endeavor includes the important work of our Criminal Investigation division to uncover tax fraud, and the millions of notices the IRS sends each year to taxpayers when issues are discovered on their returns.

To help increase tax compliance, the IRS has been focusing on a number of special areas in our enforcement activities. For example, the IRS will continue to pursue offshore tax noncompliance by all available methods. We are also committed to pursuing those who promote and make use of abusive tax shelters, and are especially concerned about certain variations, including abusive syndicated conservation easements and micro-captive insurance shelters. And we continue to be very active in emerging areas such as virtual currency. The IRS has

been working to ensure taxpayers with virtual currency transactions understand the tax laws governing virtual currency and meet their tax obligations.

Taxpayers should remember the IRS is committed to pursuing those who would intentionally evade their tax obligations. We continue working toward the goal of having a presence in every neighborhood, on each type of tax issue and at every level of income, to ensure fairness for all taxpayers. For example, a coordinated IRS initiative announced in February of this year involves improving tax compliance among high-income taxpayers by increasing visits to those generally with incomes above \$100,000 who failed to file tax returns in 2018 or previous years. Similar initiatives include a significant shift in examination resources and technology focused on high-income/high-wealth taxpayers as well as certain types of questionable transactions typically engaged in by such taxpayers.

TAXPAYER FIRST ACT: UPDATE ON IMPLEMENTATION

Even during this challenging period, the IRS is working not just to meet the immediate needs of taxpayers, but also to deliver an innovative approach to the future of tax administration that will better serve everyone, including those in underserved communities.

A critical piece of this involves the work the IRS is doing to implement the Taxpayer First Act (TFA), which gives the IRS an incredible opportunity to make significant improvements in the way we serve taxpayers, continue to enforce the tax laws in a fair and impartial manner, collaborate across the agency and train IRS employees.

The IRS launched its Taxpayer First Act Office (TFAO) in the fall of 2019, and since then, the office has worked to collect and analyze thousands of pieces of feedback, largely centering around six major themes, which helped us shape the foundational components of a holistic taxpayer experience:

- ***Expanded Digital Services:*** Work to ensure an improved experience through self-service digital channels by building upon existing online accounts and introducing online accounts for tax professionals and business taxpayers. However, the IRS will not ignore traditional channels of communications.
- ***Seamless Experience:*** Taxpayers should be guided to the resources and communication channels that will resolve their issues most effectively and efficiently.
- ***Proactive Outreach and Education:*** Educate the taxpayer community by proactively providing information in the language, timing, and method taxpayers need or prefer.
- ***Focused Strategies for Reaching Underserved Communities:*** Establish a consolidated program to engage with historically underserved

communities to address issues of communication, education, transparency and trust, as well as access to quality products and services.

- **Community of Partnerships:** Establish and facilitate a collaborative and interactive network of partnerships across the entire tax ecosystem and bring together existing efforts.
- **Enterprise Data Management and Advanced Analytics:** Create an Enterprise Data Management strategy that includes a cross-enterprise understanding of the customer experience, emerging needs and expectations, and operational data. The strategy should rely on a central repository of data from IRS systems that can be used to create reports to enable more-informed decisions.

These components will continue to be refined as we finalize our recommendations in the TFA Report to Congress. A robust training strategy will equip employees with the ability to deliver the taxpayer experience strategy, understand, prepare for and support any changes to a modernized organizational structure, and use new technology to meet customer needs. Our future organizational model will have a positive impact on taxpayers, our workforce and our ability to deliver on our mission. The redesign will support and enable the taxpayer experience and training strategies, while reducing areas of fragmentation, overlap and duplication.

Due to the IRS's intense focus and shift in IRS resources to our COVID-19 response, we modified timelines and activities for our TFA Report to Congress and now plan to submit the report in December.

CONCLUSION

Chairman Connolly, Ranking Member Hice and Members of the Subcommittee, thank you again for the opportunity to update you on IRS operations, especially our responses to the COVID-19 situation. The IRS is dedicated to improving service to taxpayers, modernizing its systems and maintaining the integrity of the tax system, while also protecting the health of its workers and American taxpayers.

This unprecedented pandemic illustrates the significant role that the IRS plays in the overall health of our country. We have been called to provide economic relief during this national crisis while also fulfilling our routine responsibilities of tax administration. Given the significance of the IRS's role, it is critical for Congress to consistently provide multi-year funding. Our success depends on adequate funding from Congress so the IRS can deliver either normal or emergency services to the country. We depend on consistent long-term funding to deliver quality services to our taxpayers, protect the safety and health of our employees, conduct enforcement initiatives to preserve a fair and equitable tax system, and support badly needed long-term IT modernization efforts.

We believe we have made great strides over the past year, but we want to do more. The entire IRS workforce wants to do more in every area. With the help of

Congress, we will continue improving, as we move the agency into the future. This concludes my statement, and I would be happy to take your questions.