

Congress of the United States

House of Representatives

COMMITTEE ON OVERSIGHT AND GOVERNMENT REFORM

2157 RAYBURN HOUSE OFFICE BUILDING

WASHINGTON, DC 20515-6143

MAJORITY (202) 225-5074
MINORITY (202) 225-5051

<http://oversight.house.gov>

Opening Statement Ranking Member Gerald E. Connolly

Hearing on “Ongoing Management Challenges at IRS”

October 25, 2017

Thank you, Mr. Chairman, for holding today’s hearing on management challenges at the Internal Revenue Service.

The IRS has suffered severe and repeated budget cuts since 2010. The current IRS budget is almost 20 percent less than the FY2010 funding level when adjusted for inflation, and the IRS continues to face additional proposed cuts amid heightened demand for its services and additional unfunded mandates.

These drastic budget cuts have severely weakened the IRS’ ability to fulfill its mission to enforce our nation’s tax law and have not spared any corner of the agency. Most significantly, between 2010 and 2016, the IRS lost 13,000 employees. The agencies’ Fiscal Year 2017 budget noted that every additional dollar invested in enforcement can produce \$6 in revenue, and the additional, indirect savings from deterring tax evasion are more than three times that amount.

However, between 2010 and 2016, the IRS was forced to reduce its enforcement staff by 11,600 full time employees. That is a reduction of 23 percent. Even Secretary Mnuchin, at his confirmation hearing, expressed his concern about the staffing levels at the agency, saying, and I quote “I am concerned about the staffing at the IRS. That is an important part of the fixing the tax gap,” and also noting, quote “if we add people, we make money.”

IRS employees are not the only ones affected by budget cuts. The American people have felt it as well through diminished customer service quality, including longer call waiting times and delayed tax refunds.

I am most alarmed with the IRS’ budget constraints impeding the agency’s ability to update its outdated IT systems, delaying more than \$200 million in investments. IRS has legacy IT systems that date back to the Kennedy Administration, and a September 2017 report by the Treasury Inspector General for Tax Administration notes that 64 percent of the agency’s IT hardware infrastructure is beyond its useful life. The IRS’ software is also shockingly out of date, with 32 percent of supporting software two or more releases behind the industry standard, and 15 percent more than four releases behind.

The legacy systems being used by the IRS are a catastrophe waiting to happen and it is critical they be upgraded in order to adequately protect taxpayer data and provide the modern services that taxpayers deserve.

I am also glad that the Committee is holding this hearing so that we can correct the record regarding allegations that the IRS was targeting conservative non-profit groups for denial of tax-exempt status. This was and is false. The Committee's own investigation found that there was no political conspiracy at the IRS against conservatives or anybody else. And earlier this month, TIGTA published its own report on this controversy. That audit, spanning the past 13 years, found the same thing.

The truth is that an IRS office in Cincinnati used a shortcut to identify applicants whom they thought would abuse tax-exempt status. They chose search terms that found liberal groups and conservative groups. Both. No conspiracy here. No targeting of one ideology or another.

I hope going forward this Committee can work together in a bipartisan way to tackle the real and serious challenges facing the IRS that – if not fixed – will have very damaging consequences for our constituents.

Contact: Jennifer Werner, Communications Director, (202) 226-5181.