

Congress of the United States
House of Representatives

COMMITTEE ON OVERSIGHT AND GOVERNMENT REFORM

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Continued Oversight of the Internal Revenue Service
House Committee on Oversight and Government Reform
Subcommittee on Healthcare, Benefits and Administrative Rules and Subcommittee on
Government Operations
2154 RHOB
Ranking Member Gerald E. Connolly (D-VA)

Thank you, Mr. Chairman.

Year after year, the IRS has been asked to do more with less. Since 2010, the number of individual tax returns filed increased by almost 11%, while the IRS budget has decreased by 20%, in inflation-adjusted terms. These funding reductions have substantially weakened the agency's capacity to enforce the tax code and meet taxpayer needs.

Over the same time, the IRS' workforce has been reduced by 18,000 employees, leaving one-third the number of enforcement agents and less than half the number of customer service representatives. In her written testimony for today's hearing, Nina Olsen, the Taxpayer Advocate, states that there is no substitute for having enough IRS employees to answer the 100 million telephone calls and 10 million pieces of correspondence the IRS receives every year.

The IRS' budget constraints are impeding the agency's ability to update its outdated IT systems, delaying more than \$200 million in investments. Approximately, 59% of its information technology systems have aged beyond their useful life leaving the IRS and taxpayers at risk of a cyber-intrusion or a catastrophic failure that prevents taxpayers from filing tax related paperwork.

The recently passed Trump tax scheme will only exacerbate these issues that have been accumulating for the past eight years. The law contains 119 provisions that must be addressed by the IRS and is estimated to cost the agency \$397 million to implement. This figure includes the need to hire over 1,700 employees; re-program approximately 140 IT systems; revise or create roughly 450 tax forms, publications, and instructions; issue guidance; and other activities to assist taxpayers.

In the recently passed omnibus spending bill, Congress provided IRS a total of \$11.4 billion for fiscal year 2018, an increase of \$196 over the previous fiscal year. Despite an increase of \$196 million from the last fiscal year, funding for the IRS is still below the \$12.1 billion that the agency received in 2010. Additionally, the omnibus directs the IRS to spend \$320 million to implement changes in the new tax law, which means that funding for other IRS functions will be

reduced in order to help implement a tax law that inordinately benefits corporations and the wealthiest one percent of individuals. The increased funding in fiscal year 2018 will do little to address the need for increased enforcement capacity and the well-documented customer service problems that have plagued the IRS.

This week, the House of Representatives will vote on legislation that includes new IT and cybersecurity requirements for the IRS. The 21st Century IRS Act (H.R. 5445) would, among other things, promote electronically filed tax returns, enforce strict standards for confidentiality safeguards among IRS contractors, and strengthen efforts to combat identity theft. If Congress wants the IRS to deploy 21st century technology to improve the services it provides to taxpayers, we must provide adequate resources to enable an IT modernization that will serve as the backbone for a 21st century IRS.

However, it is important to recognize that new technology cannot replace the nearly 9,500 customer service representatives that the IRS has lost since fiscal year 2010. For example, 46 percent of taxpayers calling the IRS have already checked IRS online resources and still need assistance. Depending on online resources also ignores the millions of households across the United States that have no broadband access, especially low income and elderly taxpayers. Additionally, those who reach out to the IRS by phone or through a Taxpayer Assistance Center often have more complicated issues that cannot easily be addressed online. Therefore, while I support efforts to modernize the IRS' IT systems to better serve taxpayers, these efforts must be done in conjunction with – not at the exclusion of – increasing the customer service employees needed to answer phone calls and provide in person support to taxpayers.

I hope my colleagues across the aisle will recognize that our constituents deserve better and that now is the time to fully and adequately fund the IRS.