JOHN CORNYN
TEXAS

United States Senate

WASHINGTON, DC 20510–4305

October 29, 2009

Paul Cherecwich, Jr.
Chairman
IRS Oversight Board
1500 Pennsylvania Avenue, NW
Washington, DC 20220

Dear Chairman Cherecwich,

On October 13, 2009, the Senate Finance Committee reported out the America's Healthy Future Act of 2009 (S. 1796). We are concerned that the legislation will drastically expand the role of the Internal Revenue Service (IRS) in our health care system, will require billions of taxpayers' dollars to administer, and potentially hinder the IRS' primary mission of collecting taxes.

The Congressional Budget Office (CBO), in its October 7th preliminary analysis of S. 1796, stated "Federal spending that would be funded by future appropriations is not reflected in these estimates. For example, implementation costs for operations of the Internal Revenue Service and the Centers for Medicare and Medicaid Services are not included. Those discretionary costs could total several billion dollars over the 10-year period, but CBO has not yet completed an estimate of the appropriations that would be necessary." Other private studies estimate that the IRS administrative budget will need to be increased by 25 percent to "administer and audit the premium and subsidy computation components of the program." In other words, while the full cost of implementing S. 1796 may not be known, additional taxpayer money will be needed to hire more IRS auditors, agents, and bureaucrats.

As you may know, the IRS would be responsible for administering and enforcing a number of the provisions included in S. 1796:

- a new refundable tax credit and cost-sharing subsidy for individuals and families purchasing health insurance through newly created state exchanges;

- a new small business tax credit that will require information on the number of full time equivalent employees;

- requiring all U.S. citizens and legal residents have health insurance, with reporting made on income tax returns;

- a penalty on individuals for not having health insurance and a penalty on employers, including small businesses, who do not provide affordable coverage to their employees;

- excise taxes on pharmaceutical, medical device and health insurance companies that are based on market share; and

- an excise tax on insurers who provide high cost insurance.

The IRS continues to face challenges in meeting its mission of providing taxpayers with top quality service. Both the Government Accountability Office (GAO) and the Treasury Inspector General of Tax Administration (TIGTA) have expressed concerns about the IRS' ability to administer the tax system effectively. The Oversight Board, in its most recent Annual Report to Congress, also highlighted its concerns about long-standing, systemic weaknesses in the nation's tax administration system.

We recognize the unique role of the Oversight Board has in reviewing and approving IRS strategic plans and its budget requests as well as providing long-term guidance and direction to the agency. For this reason, we request the Oversight Board review S. 1796 and provide Congress with an analysis of the bill and how it would impact the IRS's ability to effectively pursue its strategic plans and successfully manage the supporting strategies. We would also ask the Oversight Board to comment on the effects it believes the legislation will have on the IRS budget, including the agency's efforts to provide robust taxpayer services, modernize its computer systems, and having a well-trained workforce in place. Given the historic size and scope of S. 1796, the Oversight Board can play an important role as Congress debates health care reform. We look forward to your response.

Sincerely,

John Cornyn

Charles E. Grassley