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Hearing Statement of Senator Max Baucus (D-Mont.)
On Improving the Taxpayer Experience
As prepared for delivery

Albert Einstein once said, "The hardest thing in the world to understand is the income tax."

Last week, taxpayers in Montana and across the country filed their annual tax returns. I'm sure many of them had the same thought Einstein expressed.

We need to simplify the tax code. Reforming and simplifying the code will make filing taxes easier for Americans, and it will reduce uncertainty.

Today we'll look at the ways we can improve the taxpayer experience. We will consider how to deal with the 132 tax provisions that frequently expire and create uncertainty for taxpayers. And we will look at how to effectively use technology and improve communication between taxpayers and the IRS.

We know that the great majority of taxpayers follow the law. More than eighty percent of taxes are paid on time. This voluntary compliance rate shows that most folks are doing their part every April, but improving the taxpayer experience and creating certainty can push that rate even higher.

More folks voluntarily complying with our tax laws will reduce the United States' annual $450 billion tax gap. Reducing this gap between taxes paid and those legally owed helps ensure the burden won't be passed on to the law-abiding Americans who do pay their taxes. However, issues with our current system make this difficult.

Frequent and last-minute changes to the tax code and complex IRS procedures create uncertainty and confusion. And too many Americans can tell you what a nightmare going through an audit or appealing a decision with the IRS can be. Taxpayers become discouraged when they can't understand what they owe or why they owe it.

One IRS process that's particularly hard on taxpayers is the correspondence audit. This audit is done through letters, rather than face-to-face meetings. Often, these are simple audits that could easily be resolved through a short conversation. But instead, they are drawn out over months or even years.

Taxpayers often cannot reach anyone at the IRS to talk to during the process. And if they ever do, the IRS representative is often unfamiliar with their case and none of their submitted documents have been considered.

Correspondence audits are just one glaring example. The problem points to larger issues taxpayers have when trying to work with the IRS.

IRS staffing is another area of concern. In my hometown, the Helena IRS walk-in center is only open part-time with temporary staff. When folks travel across a state as big as Montana to reach an IRS office, they should be able to receive help during normal business hours.

We know budgets are tight, and we have to make tough choices about what we can afford. But we can't forget that filing taxes is one of the most direct relationships many Americans have with their government.

The IRS needs to make compliance easier on taxpayers, and we need to make the process simpler.

The IRS must explore innovations and new technology to use resources efficiently. Private industry has successfully incorporated technology to make things easier for customers. The IRS needs to do the same.

As we consider tax reform, we have an opportunity – and an obligation – to improve the taxpayer experience. Through tax reform, we can reduce the compliance burden on taxpayers. We can make things easier for folks every April.

So let us reform the tax code to give taxpayers certainty and predictability. Let us make it easier for taxpayers to work with the IRS to resolve issues quickly and correctly. And let us take the right steps to improve the taxpayer experience.

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