

Congress of the United States

Washington, DC 20510

January 8, 2018

The Honorable David Kautter
Assistant Secretary of the Treasury for Tax Policy and
Acting Commissioner
Internal Revenue Service
1111 Constitution Avenue, NW
Washington, DC 20224

Dear Acting Commissioner Kautter:

We write to inquire when the Internal Revenue Service (IRS) will release updated withholding tables following passage of the Conference Report to H.R. 1. Given that the IRS does not have an independent, nonpolitical Commissioner, we are concerned that the Department of Treasury, which oversees the formulation of these tables, may unduly influence the new withholding tables for the 2018 tax year in a manner that will result in millions of taxpayers receiving larger after-tax paychecks this election year but ultimately owing federal income tax when they file in 2019. Accordingly, we oppose any attempts by the Administration to systematically underwithhold income taxes during the 2018 tax year, knowing that in 2019 taxpayers may find they owe taxes when they were expecting a refund.

The new tax law, jammed through by Republicans right before Congress adjourned last year, threatens to throw the 2018 tax year into disarray as American families struggle to comply with numerous new tax rules and provisions. For example, the new law repeals the personal and dependent exemptions, repeals most itemized deductions, and caps the deduction for state and local taxes at \$10,000. Taxpayers will confront a very different tax code in 2018, which will not result in all taxpayers receiving a tax cut. We do not want the Administration to exacerbate their tax liabilities with tax tables that intentionally withhold too little federal income taxes.

We recognize that Treasury will be under substantial pressure to make good on the promise by the President and various Administration officials that the new tax law will provide households with a \$4,000 tax cut.¹ The Office of Tax Policy at the Department of Treasury may push IRS to incorporate withholding formulas that take insufficient taxes out of workers' paychecks. This will foster the appearance of a larger tax cut in 2018 that then disappears during the 2019 filing season when these same working families file their taxes and discover to their chagrin that they have been underwithheld and have to pay back the previous year's phantom windfall.

¹ See for example, Heather Long, "The average American family will get \$4,000 from tax cuts, Trump team claims," *Washington Post*, October 16, 2017.

For many families, IRS tables that withhold too little in taxes during the year present a considerable problem and undue hardship. According to a recent Federal Reserve study, 44 percent of adults say they either could not cover an emergency expense costing \$400 or more, or would cover it by selling household possessions or borrowing money.² Withholding tables (and any changes to the IRS Form W-4) must be geared to withhold the correct amount from workers' paychecks, as well as inform workers of the risk of owing federal income taxes the following filing season.

To assure Congress and the American public that there is no political influence in the formulation of IRS withholding tax tables, we ask that you provide us the following information by January 12, 2018:

1. The date that the draft IRS withholding tables incorporating the changes made by H.R. 1 were first reviewed by Treasury employees or officials;
2. The name and title of each Treasury employee or official who received the draft IRS withholding tables and a statement as to whether or not such person suggested changes to the tables;
3. A description of the assumptions made and method used to calculate the withholding tables for tax year 2017;
4. A statement as to whether the assumptions or methods were changed for tax year 2018;
5. A list and description of all changes to the IRS withholding tables suggested by Treasury employees or officials; and
6. The date that the IRS withholding tables were approved by Treasury and the name and title of each Treasury employee or official who signed off on the tables.

In closing, we would like to inform you that we have asked the Government Accountability Office to assist us in providing oversight by determining whether the revised withholding tables provide adequate withholding to protect millions of taxpayers from being surprised during the 2019 filing season. Thank you, in advance, for your prompt attention to this matter.

Sincerely,



Ron Wyden
Ranking Member
Committee on Finance, U.S. Senate

Sincerely,



Richard E. Neal
Ranking Member
Committee on Ways and Means,
U.S. House of Representatives

² [U.S. Federal Reserve](#), "Report on the Economic Well-Being of U.S. Households in 2016," May 2017.