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**CONTACT:** [Aaron Fobes](#) , [Julia Lawless](#)

(202) 224-4515

### **Hatch Opening Statement at Finance Committee Hearing Examining Effective Ways to Protect Taxpayers from Unethical Tax Preparers**

WASHINGTON – U.S. Senator Orrin Hatch (R-Utah), Ranking Member of the Senate Finance Committee, today delivered the following opening statement at a committee hearing examining effective ways to protect taxpayers from incompetent and unethical tax preparers:

*As we all know, the due date for individuals to complete and file their annual income tax returns is one week away. And, at this point in the year, millions of Americans face a number of difficulties in trying to comply with that deadline.*

*The sheer complexity of our tax system requires the majority of Americans to seek the services of a paid preparer in order to navigate through and comply with the tax code. Of the 142 million income tax returns filed by individuals last year, nearly 80 million – or roughly 56 percent – were prepared by a paid preparer.*

*Our income tax system relies heavily on good faith voluntary compliance, which, in turn, requires the services of paid preparers that are both competent and ethical.*

*The IRS attempted to implement regulations in 2011 that, for the first time, imposed both ethical and competency standards on any person who sought to prepare tax returns for compensation. The D.C. Circuit Court of Appeals, however, has since prevented IRS from enforcing those regulations when it upheld the Loving decision on appeal.*

*Among the approaches to solving the problem of incompetent and unethical paid preparers that we will hear about today is government regulation. However, there are other approaches worthy of thoughtful consideration.*

*One approach is comprehensive tax reform that results in a much simpler and straightforward tax system with fewer compliance and administrative burdens. A less complex tax system that allows for simpler compliance rules will reduce taxpayer and preparer errors associated with complexity, decrease the need for complex tax filings, and eliminate opportunities to cheat the system through unethical behavior.*

*It is my belief that the best way to protect tax filers from incompetent and unethical tax preparers is to implement a fair and simple tax system that dramatically reduces their dependence on paid return preparers.*

*Until we get there, we need to minimize the damage that incompetent and unethical return preparers can cause. I look forward to hearing about different ideas on how to accomplish this worthy goal during today's hearing.*

*Of course, with the IRS Commissioner testifying before us today, there are other matters that deserve the committee's attention.*

*For example, there is the ongoing investigation into the IRS's targeting of conservative groups during the 2010 and 2012 campaign seasons. Four congressional committees, including the Finance Committee, are currently looking into this matter. And, up to now, IRS officials have, with some exceptions, been cooperating.*

*That's why it was disheartening to hear that, two weeks ago, Commissioner Koskinen apparently tried to spin what had gone on at the IRS, claiming that no one had used the word "targeting" to describe what happened.*

*The fact is that the Treasury Inspector General for Tax Administration (TIGTA) Russell George used the word "targeting" in his May 2013 report to describe the allegations, and, in testimony before Congress, he stated that the allegation had proven to be true.*

*Furthermore, Commissioner Koskinen himself described the activities as "targeting" during his confirmation hearings before this committee.*

*Now, this may seem like we're engaging in semantics, but the words we use here are important. If the administration, rather than acknowledging what went on at the IRS and trying to fix it, is going to engage in word-play to minimize what happened, we are going to continue to have difficulties as we try to resolve these issues.*

*Even the Washington Post fact checker said it is "silly and counterproductive" to deny that the phrase targeting describes what happened, awarding the Commissioner Three Pinocchios for saying otherwise.*

*On top of that, we have the regulatory effort at the IRS that appears to be designed to further marginalize these same conservative groups. I'm talking, of course, about the proposed regulations governing the political activities of 501(c)(4) organizations.*

*People and organizations across the political spectrum have rightly condemned these proposed regulations because they undermine free speech and the ability of American citizens to participate in the political process. The IRS had a record number of public comments filed in*

*response to the proposal from all points on the political spectrum. And, from what I gather, they were almost uniformly negative.*

*This regulation, if given the force of law, would effectively silence grassroots organizations by categorizing a number of routine and long-accepted activities as political. And, it would ensure that a number of the administration's critics remain on the sidelines of the political debate.*

*This proposal is particularly disturbing given what has already gone on at the IRS with the targeting scandal.*

*Now, last week, Commissioner Koskinen publicly stated that the regulations are not likely to be finalized this year. But, that's not good enough. These regulations should go away entirely. And Commissioner Koskinen has the power to make that happen.*

*Throughout the public debate over this proposal, little has been said of the role of the IRS Commissioner in approving the final regulation.*

*However, as was confirmed by Secretary Lew in his recent appearance before this committee, the IRS Commissioner has the authority to unilaterally prevent these regulations from taking effect. That being the case, any effort to deflect responsibility in a different direction is futile.*

*As you can see, Mr. Chairman, we have a number of issues to discuss today. I look forward to a robust and informative hearing.*

*Thank you.*

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