

RON WYDEN
OREGON

RANKING MEMBER OF COMMITTEE ON
FINANCE

221 DIRKSEN SENATE OFFICE BUILDING
WASHINGTON, DC 20510
(202) 224-5244

United States Senate
WASHINGTON, DC 20510-3703

COMMITTEES:
COMMITTEE ON FINANCE
COMMITTEE ON BUDGET
COMMITTEE ON ENERGY & NATURAL RESOURCES
SELECT COMMITTEE ON INTELLIGENCE
JOINT COMMITTEE ON TAXATION

October 15, 2019

The Honorable Charles Rettig
Commissioner
Internal Revenue Service
1111 Constitution Avenue, NW
Washington, DC 20224

Dear Commissioner Rettig:

At our April 10, 2019 Senate Finance hearing on the tax filing season, I requested that you report back on why EITC recipients, who are typically low-income families, are audited at higher rates than high-income taxpayers. I also requested that you propose a way to remedy the imbalance. Your September 6, 2019 response—received some five months after I made the request—essentially states that the Internal Revenue Service (IRS) audits EITC recipients simply because it is cheaper and easier to do so.¹ The letter goes on to say that it is too expensive to audit high-income taxpayers, and rather than providing my colleagues and me with a plan to rectify the imbalance in audit rates, you say IRS will only take action when Congress provides it with sufficient resources.

In other words, the IRS plans to continue auditing low-income working families at much higher rates than high-income taxpayers until the day that the Administration and Congressional Republicans finally agree with Democrats that increasing the IRS's enforcement budget is warranted. This response is deeply cynical. It is also simply unacceptable.

News coverage has shown that the 382,000 audits of EITC recipients in 2018 (43 percent of all individual audits) were concentrated in poor, rural mostly African American counties in the South.² Moreover, these audits tend to end badly for the affected taxpayers. IRS' own research estimates that up to 80 percent of those EITC recipients audited have EITC benefits disallowed due to undelivered mail, nonresponse, or insufficient response—yet only 15 percent of such audits result in disallowing the EITC because a taxpayer has been confirmed to be ineligible.³ In

¹ September 6, 2019 letter from Commissioner Rettig to Senator Wyden and enclosed report titled "Audits".

² Paul Kiel, "It's Getting Worse: The IRS Now Audits Poor Americans at About the Same Rate as the Top 1%," *Pro Publica*, May 30, 2019.

³ John Guyton (IRS), Kara Leibel (IRS), Day Manoli (UT-Austin), Ankar Patel (Treasury), Max Payne (IRS), Brenda Schafer (IRS), "The Effects of EITC Correspondence Audits on Low-Income Earners," May 2019.

911 NE 11TH AVENUE
SUITE 630
PORTLAND, OR 97232
(503) 326-7525

405 EAST 8TH AVE
SUITE 2020
EUGENE, OR 97401
(541) 431-0229

SAC ANNEX BUILDING
105 FIR ST
SUITE 201
LA GRANDE, OR 97850
(541) 962-7691

U.S. COURTHOUSE
310 WEST 6TH ST
ROOM 118
MEDFORD, OR 97501
(541) 858-5122

THE JAMISON BUILDING
131 NW HAWTHORNE AVE
SUITE 107
BEND, OR 97701
(541) 330-9142

707 13TH ST, SE
SUITE 285
SALEM, OR 97301
(503) 589-4555

[HTTP://WYDEN.SENATE.GOV](http://wyden.senate.gov)

PRINTED ON RECYCLED PAPER

other words, EITC audits have a chilling effect on eligible taxpayers trying to claim this valuable credit, which can be more than \$6,000 for a family with three children. Even worse, the IRS research finds this chilling effect grows over time for working families: for every dollar of EITC benefit audited, between 63 cents and 73 cents in EITC benefits goes unclaimed in future years by families who would otherwise be eligible, due to the fear of being audited again.⁴

The decision by the IRS to continue auditing working families at high rates while doing nothing to audit those at higher incomes is particularly incongruous given who is failing to pay their taxes. According to a recent, updated estimate of the “tax gap” by the IRS, tax dodgers cost the U.S. Treasury \$381 billion every year in taxes owed but not paid. The bulk of these unpaid amounts is likely owed by businesses and high-income individuals—certainly not low- and moderate-income families.⁵

If the current Administration is unable or unwilling to work with Congressional Republicans to increase IRS enforcement spending, then I request the IRS develop a plan to reallocate current resources—whether from enforcement or elsewhere—to increase audits of high-income taxpayers to a rate at least equivalent to the audit rate for EITC recipients. I request that the IRS respond to me within 30 days with details of this reprioritization plan, including proposed increases in audits of high-income taxpayers to achieve an audit rate equal to the EITC audit rate. To pursue working families for possible miscues in claiming refundable credits while blatantly ignoring hundreds of billions of dollars in annual tax dodging by millionaires and businesses is grossly unfair and not in line with Americans’ values, or even common sense.

Sincerely,



Ron Wyden
United States Senator

⁴ Ibid.

⁵ Internal Revenue Service, “Federal Tax Compliance Research: Tax Gap Estimates for Tax Years 2011-2013,” September 2019.