

Opening Statement– July 26 IRS Reform Hearing

Good morning, this hearing will come to order. This morning we convene the Senate Finance Subcommittee on Taxation and IRS Oversight to discuss an important topic – Improving Tax Administration Today. This hearing presents a great opportunity to examine current issues related to tax administration at the IRS, with a particular focus on customer service, information technology, interaction with practitioners, low-income taxpayers, and tax administration issues related to workers in the gig economy and 1099 filings. Before we begin, I want to thank Chairman Hatch and Ranking Member Wyden for giving us the opportunity to hold this hearing, and our Subcommittee Ranking Member Senator Warner for being here with me today.

Improving tax administration at the IRS is not only an important topic, but a timely one. This past weekend was the 20th anniversary of the passage of the IRS Restructuring and Reform Act of 1998, which is the last time Congress enacted a major overhaul the agency. During the late 90s, there was a clear need for reform at the IRS. Calls with questions for the IRS went unanswered by the thousands, and the calls that *were* answered were often incorrect. The agency had also spent \$3 billion on IT systems that weren't working. Bottom line, the American public had lost faith in the agency.

In response, Congress put together a commission that I had the honor of co-chairing with then-Senator Bob Kerrey. We published a comprehensive report that became the basis for the legislation 20 years ago. That legislation, which Senator Cardin, Chairman Hatch, and Ranking Member Wyden all took leadership roles on, led to a long period of substantial improvements at the IRS. Unfortunately, in recent years that period of sustained improvement has unraveled as the agency suffers from some of the same issues that plagued it in the mid-1990s. Once again, the agency tasked with helping Americans carry out one of their most basic duties is failing to serve taxpayers in an effective manner.

Because of these issues, I believe there is an opportunity for this Congress to get the IRS back moving in the right direction. Congress should act to meaningfully reform the agency, and I applaud the efforts of Chairman Hatch and Ranking Member Wyden, as well as the House, for the solutions they've offered to advance IRS reform.

I think there is much more to be done, however, which is why today I introduced with Senator Cardin the *Protecting Taxpayers Act* – bipartisan legislation to make the IRS more responsive and accountable to taxpayers. This legislation aims to reform the agency through six key goals: (1) revitalize the IRS organizational structure and management;

(2) increase taxpayer protections and modernize enforcement procedures; (3) improve small business and retirement plan tax administration; (4) better serve low-income taxpayers; (5) overhaul the IRS appeals process; and (6) strengthen the IRS IT infrastructure.

I wanted to highlight a couple of provisions from this bill I feel will be critical to reforming the agency and that I'd love to get feedback on from our witnesses. First, our bill completely rethinks one of the key provisions of the 1998 reform bill – the IRS Oversight Board. When we originally thought of the idea of this board in 1998, our intent was to create a Board of Directors for the IRS that would help guide the direction of long-term strategy at the agency, provide private sector experience and expertise, and hold senior management accountable. The Board started off pretty well, but then because of lack of support by really every Administration, it has since fallen by the wayside. The Board suspended operations a couple of years ago and there is technically only one member left out of nine. If we were able to get this Board not just functioning again, but functioning in the way we originally intended, I think it has a lot to offer in turning the agency around in areas such as customer service, IT modernization, and budgeting effectively.

I also wanted to mention the reforms we're making to the IRS Appeals process. In the 1998 reform bill, we created more than 50 new taxpayer rights, including the right to an independent appeal of an IRS decision. Three years ago, we took those rights a step further by codifying 10 of them in a Taxpayer Bill of Rights, which included that right to an independent appeal. Yet, in recent years, access to an independent appeals process has declined as more cases than ever are being sent to Tax Court, amounting to a 70% increase since 2000. Further, the IRS continues to issue new guidance and procedures to make it harder for all taxpayers to access the appeals process. The Protecting Taxpayers Act aims to reinforce this taxpayer right through an ambitious set of reforms, ensuring that we resolve as many tax controversies in an equitable manner.

Overall, I think it's clear, and I'm sure we will hear as much from our witnesses today, that Congress needs to build on the progress we made in 1998 and engage in a new set of reforms at the IRS. I am interested to hear from my colleagues and the witnesses here about ways we can improve tax administration at the IRS, and I look forward to working with all of you as we work to make the IRS more responsive and accountable to the American taxpayer.

Ranking Member Statement

I would now like to recognize Ranking Member Warner for his opening statement.

[Warner Opening Statement]

Thank you, Senator Warner.

Witness Statements

Today we have the pleasure of welcoming five witnesses, all of them experts in their respective fields. Before us we have:

- Ms. Caroline Bruckner, Managing Director of the Kogod Tax Policy Center at American University here in Washington, DC
- Ms. Phyllis Jo Kubey, Member of the National Association of Enrolled Agents and the IRS Advisory Council
- Ms. Nina Olson, the National Taxpayer Advocate at the Internal Revenue Service
- Mr. John Sapp, the current Chair of the Electronic Tax Administration Advisory Committee advising the Internal Revenue Service, and
- Ms. Rebecca Thompson, the Project Director of the Taxpayer Opportunity Network within the organization Prosperity Now

Thank you all for agreeing to testify here today about a wide variety of themes related to tax administration. In the interest of time, we ask that you keep your remarks to five minutes.

Ms. Bruckner, you may begin.

[Recognize witnesses in order]

We will now turn to questioning. Senator Warner, I know you have somewhere to be so I'm happy to let you take the first round of questions.

[Senator Warner Questions]

Thank you, Senator Warner.

[RP Questions]

[Recognize Senators in the order provided for questions]

I'd again like to thank our witnesses for their testimony and insight today. Your testimony has shown a clear need for IRS reform that makes the agency more responsive and accountable to taxpayers – let's not waste this opportunity.

Please be advised that Members wishing to submit questions for the record are asked to do so by close of business on one week from today, Thursday, August 1st. This hearing is adjourned.