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Wyden Hearing Statement on Tax Filing Season and the IRS Budget *As Prepared for Delivery*

This morning the Finance Committee welcomes Commissioner Werfel back to the Senate to discuss the IRS budget and this filing season, which came to a close yesterday.

Let me start off by thanking the staff at the IRS for their hard work that made this the smoothest filing season in many years. Democrats made a big investment in taxpayer service with the *Inflation Reduction Act*, and it goes without saying that taxpayers have a right to know what they got with that investment.

The numbers paint a clear picture. Last filing season, the IRS was able to answer 15 percent of the phone calls it got. This year it was 87 percent. The IRS answered 2 million more calls and helped 100,000 more taxpayers in-person. The return backlog is way down. Tech upgrades are helping get refunds out the door more quickly. A big improvement all the way around.

Next, looking ahead, right at the top of our agenda is reducing the tax gap. The official estimate says that \$540 billion of taxes owed go unpaid each year. Other estimates, even from Donald Trump's IRS commissioner, say it could be \$1 trillion. Those estimates are so far apart because sophisticated, wealthy tax cheats excel at hiding in the shadows. The IRS can't measure the law breaking that's going on if it doesn't have the resources to identify it in the first place.

Here's the bottom line on this issue. You cannot get at the tax gap without focusing on wealthy tax cheats and highly complex businesses like large partnerships. That's what Democrats sought to accomplish with the tax enforcement funding in the *Inflation Reduction Act*. The IRS plan for that funding came out a few weeks ago. I'm sure members will have a lot to say about it, but it's clear to me that the IRS is following the law as intended.

And the reality is, there are big challenges for the Congress to address. Shoring up Medicare and Social Security. Child care and education for families. Paid leave for workers. Both sides want to address our country's fiscal health. Reducing the tax gap helps create the headroom to address those issues.

If the first priority is making it harder for wealthy tax cheats to get away with breaking the law, the next priority is making tax filing easier for everybody else.

The *Inflation Reduction Act* took an important step on a free, direct-filing system. It would provide another option for taxpayers who are sick of the hassle and expense that comes with filing online today.

There's a study underway looking at how to go about building such a system. Republicans and the tax prep lobby have reacted as if this is going to bring on the end of Western Civilization.

There used to be bipartisan interest in building a free-file system that saved taxpayers time and money every year. Making it easier to file was a key component of the tax reform proposal I wrote with Senator Dan Coats a little more than decade ago. These days, Republicans are siding with the big tax prep companies that squeeze Americans for billions of dollars every year in various fees and markups. They've even objected to the organization conducting the free file study.

I'm sure Republicans would prefer to have the tax prep lobby in charge of studying this issue to smother it from the get-go. It's always the same pattern every time this proposal comes up. An army of well-paid lawyers and lobbyists descends on the Congress to squash it. Republicans are standing with them.

That cannot happen this time. Democrats are committed to the proposition that it shouldn't cost hundreds of dollars and many, many hours of time simply to follow the law and pay what you owe. When it comes to filing taxes online, the status quo is unacceptable.

Those are some of the agenda items for Democrats — reducing the tax gap by going after the cheating by the wealthy, and making tax filing easier for everybody else. What are Republicans up to?

For all their talk about our country's fiscal health, they're still committed to giving billionaires a free pass to cheat on their taxes. Speaker McCarthy is also working overtime to rally Republicans around a plan that would gut health care and increase hunger among tens of millions of Americans. If he doesn't get what he wants, he's threatening a catastrophic default.

The Congress ought to take a smarter approach. That includes making sure the IRS can meet the needs of the American people and enforce the law when billionaires skip out on paying what they owe. There's a lot for us to talk about today. I want to thank Commissioner Werfel for joining the committee. I look forward to our discussion.

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