

**COMMITTEE ON WAYS AND MEANS
U.S. HOUSE OF REPRESENTATIVES
WASHINGTON, DC 20515**

August 16, 2022

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

Dear Commissioner Rettig,

I am thrilled that Congress has passed, and the President has signed, the Inflation Reduction Act of 2022 (IRA) into law. The IRA will provide much-needed and well-overdue funding for the Internal Revenue Service (IRS) to improve operations and crack down on rich tax cheats.

As you know, I have made fairness and equity in our federal tax system a top priority. The failure to fund and prioritize robust tax enforcement has allowed wealthy individuals and large corporations to avoid paying their fair share. The American people must have faith that our tax system is administered lawfully, competently, and fairly. Inadequate resources and decades of neglect have badly harmed public confidence in the IRS. That neglect is apparent across the board, as we know that:

- 90 percent of taxpayers seeking telephone assistance from the IRS do not reach an assistor;
- the IRS is taking an average of 251 days to process taxpayer correspondence, more than triple the 2019 processing time of 74 days;
- approximately 14 million individual and business returns are waiting to be processed (160,000 of which were received in 2021);
- taxpayers who filed paper returns generally wait six months or more (sometimes up to ten months) for their refunds to be processed;
- eight million amended returns and accounts management cases are in the backlog;
- the IRS audits low-income Americans who receive the Earned Income Tax Credit (EITC) at a rate five times greater than other taxpayers;
- the tax gap (taxes owed but not paid) is over \$600 billion a year, according to the Department of the Treasury; and
- the IRS is relying on antiquated information systems, many of which are over 25 years old.

To address these issues, the IRA will provide the IRS with the following funding over the next decade:

- \$3 billion to improve taxpayer services and address difficulties experienced by taxpayers who need pre-filing, filing, or educational assistance, or need help from the Taxpayer Advocate Service;
- \$25 billion for operations to develop information technology systems and to support taxpayer assistance;
- \$5 billion for business systems modernization; and
- \$45 billion for enforcement to monitor cryptocurrency, collect taxes owed by millionaires and billionaires, and conduct criminal investigations.

The \$78 billion investment in the IRS will pay for itself. According to the Congressional Budget Office, the federal government will see a net savings of over \$124 billion through fiscal year 2031. You reported to the Congress that the “resources are absolutely not about increasing audit scrutiny on small businesses and middle-income Americans.” You further noted that “audit rates will not rise relative to recent years for households making under \$400,000.” Importantly, you indicated that the additional resources will allow the IRS to address an area of great concern: high-income taxpayers and large corporations seeking to avoid taxes through loopholes and dubious positions on their tax returns. By finally ensuring the privileged few pay their fair share, we can provide tax fairness and rebuild the IRS to work better for all Americans.

During consideration of the IRA, statements were made that misrepresented how the IRS planned to use its additional enforcement funding. Any baseless fearmongering does a great disservice to the hardworking men and women at the IRS, including law enforcement personnel.

I request that the IRS provide a breakdown of its plan to use the additional funding by year and by activity. I request this response by August 30, 2022, so that the Congress may be assured that the resources in this bill are being directed toward restoring fairness, equity, and taxpayer services. Thank you for your prompt attention to this matter.

Sincerely,

A handwritten signature in blue ink that reads "Bill Pascrell Jr". The signature is written in a cursive style and is positioned above a horizontal line.

Bill Pascrell, Jr., *Chair*
Subcommittee on Oversight