

OVERSIGHT OF THE INTERNAL REVENUE SERVICE

JOINT HEARING
BEFORE THE
SUBCOMMITTEE ON GOVERNMENT OPERATIONS
AND THE FEDERAL WORKFORCE
AND THE
SUBCOMMITTEE ON HEALTH CARE AND FINANCIAL
SERVICES
OF THE
COMMITTEE ON OVERSIGHT AND
ACCOUNTABILITY
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 - * Letter, July 19, 2023, from a coalition to the IRS commissioner in support of the IRS Free File Program; submitted by Rep. Mfume.
 - * Press Release, Treasury Department, “Filing Season 2023, A Report Card: IRS Delivered Significantly Improved Customer Service”; submitted by Rep. Mfume.
 - * IRS’ Strategic Operating Plan, 2023–2031; submitted by Rep. Mfume.
 - * Statement, Nina Olson, and accompanying letter, June 21, from the Center for Taxpayer Rights to Treasury Department and IRS Commissioner Werfel; submitted by Rep. Mfume.
 - * Study, Stanford Institute for Economic and Policy Research Study on the Tax System; submitted by Rep. Lee.
 - * Statement for the Record; submitted by Rep. Connolly.
- Documents listed above are available at: docs.house.gov.*

OVERSIGHT OF THE INTERNAL REVENUE SERVICE

Tuesday, October 24, 2023

U.S. HOUSE OF REPRESENTATIVES
SUBCOMMITTEE ON GOVERNMENT OPERATIONS AND THE FEDERAL
WORKFORCE
AND THE
SUBCOMMITTEE ON HEALTH CARE AND FINANCIAL SERVICES
COMMITTEE ON OVERSIGHT AND ACCOUNTABILITY
Washington, D.C.

The Subcommittees met, pursuant to notice, at 2:21 p.m., in room 2154, Rayburn House Office Building, Hon. Lisa McClain [Chairwoman of the Subcommittee on Health Care and Financial Services] presiding.

Present from Committee on Oversight and Accountability [Subcommittee on Health Care and Financial Services]: Representatives McClain, Foxx, Grothman, Fry, Porter, Lee, and Crockett.

Present from the Committee on Oversight and Accountability [Subcommittee on Government Operations and the Federal Workforce]: Representatives Sessions, Palmer, Timmons, Burchett, Fry, Edwards, Mfume, Norton, Frost, Connolly, Garcia, Lee, and Crockett.

Also present: Representative Raskin.

Mrs. MCCLAIN. All right. This joint hearing of the Subcommittee on Government Operations and the Federal Workforce and Health Care and Financial Services Committee will come to order. Welcome, everyone.

Without objection, the Chair may declare a recess at any time.

I recognize myself for the purpose of making an opening statement.

First and foremost, thank you all for being here in this crazy bit of times we are in, but nevertheless, what we are talking about is extremely important. The IRS has been plagued really with dysfunction for decades and complexity. The dysfunction is across the board, from data breaches, leaks, and identity theft to slow audits, backlogs, and really horrific customer service, at least from my constituents. Despite years of congressional oversight and government watchdog warnings, not a lot has changed.

My colleagues on the other side of the aisle believe that more money and more power is the solution. In fact, in last year's Inflation Reduction Act, congressional Democrats dumped \$80 billion

into the IRS. With this influx of cash, the IRS plans to ramp up audits on all Americans. This funding spree prioritizes enforcement over improving taxpayer services. Taxpayer services, like processing taxpayer returns, receive a 9-percent funding boost with enforcement receiving a 69-percent funding boost. The IRS needs stronger leadership, not more money and not more audits. The IRS needs to work on getting the American people their money back in a timely fashion, not auditing the lower-and middle-class Americans. The IRS, in my opinion, needs to invest in highly skilled experts, not simply hire more employees, but higher quality, not so much quantity. Put simply, the IRS just needs to do a better job. There needs to be consequences for their inaction.

If a private business did what the IRS does on a daily basis, it would quickly go out of business. If a private business repeatedly left you on hold for hours, as my constituents, and actually myself has even experienced, at a time or did not answer the phone call, it really would go out of business, and the customer complaints would go through the roof. If a private business repeatedly left sensitive tax information unsecured or lost it entirely, it would face criminal penalties and go out of business. But since the government is involved, there is no accountability or yet any accountability that I have seen for its poor performance. And that is one of the things I would like to talk about is who owns it, what is the accountability, but also what are we doing to improve it, right?

So even if we did give more money, what would the solutions look like, right, because we can sit here and complain, but we also have to focus on some solutions. Why do we accept this? Hard-working Americans accept this because they follow the law, and they know they face consequences, like penalties and fines, if they do not, and those penalties and fines are their money. It comes out of their pockets.

If we make a mistake on our tax return returns, it costs us, right? In contrast, when the IRS makes a mistake, there are really no consequences, or if there are, I would like to talk about what those consequences are. Do people lose their job? Are they put on action plans? Do they get demoted? What are the consequences? And I really do not think it is too much to ask to have the Federal agencies play by the same rules as we expect the American people to play by. I mean, the IRS asks for more money to fund more mistakes, more data breaches, more ineptness. It should not be acceptable, and we have to hold our government agencies to the at least the same standards that we hold the American people to with their tax dollars.

Instead of doing the job, the IRS is struggling to complete its basic functions. Instead of processing tax returns in a timely matter manner, Americans are waiting months and sometimes years for money that is rightly theirs. And the issue is, yes, we pay them, you know, interest on that money, but a lot of the businesses are going to go out of business by the time they get their rightly deserved money. Instead of serving taxpayers, the IRS can do something as simple as answering the phone. Instead of being trustworthy, the IRS carelessly leaves your sensitive information unsecure and vulnerable to leaks, fraud, and identity theft. Frankly, the

IRS is the perfect example of bureaucracy failure, and there has not been a lot of accountability, if any accountability, for it.

We talk about these issues today. We need to remember that these are real problems that impact real people with real money, their money. Since I entered Congress, countless constituents have approached my office asking for help with the IRS. I have constituents who have filed returns on time in April and have yet to receive their refunds. When they seek help from the IRS, they cannot get ahold of anyone on the phone to even to get an update, and I will cover those a little bit later, but often they wait hours to reach customer service representatives only to get disconnected due to an overloaded switchboard, which you can imagine incenses them, and the frustration goes through the roof. I have constituents who are business owners who have outstanding applications for the employee retention tax credit. One of these cases has been pending since February. These wait times are unacceptable, really, for small businesses because they depend on those dollars, especially through the pandemic. We are here this afternoon to demand answers and accountability on behalf of the American people.

Commissioner Werfel, thank you for being here to the Subcommittee today. I look forward to your fruitful discussion.

I now recognize Ranking Member Mfume for the purpose of making an opening statement.

Mr. MFUME. Thank you very much, Madam Chair. Good morning, is it still? Good afternoon. I am living in that other universe I see. Well welcome, everyone, and thank you very much, Madam Chair.

Paying one's fair share is an important obligation in what is known as the American social contract. With an estimated 1.6 or 168 individual taxpayers, in billions, who filed returns this year alone, processing high returns of volume and higher returns of paper requires sufficient personnel, modernized technology, and streamlined systems. A little over a year ago, President Biden signed the Inflation Reduction Act, or the IRA, into law. As most of you know, this groundbreaking legislation reached the IRS at a critical time right before the 2023 tax filing season, and it delivered \$80 billion to the IRS over the next 10 years. The funds allow the IRS to hire new staff to modernize all of its technology and to audit wealthy tax cheats who had been getting away with murder.

[Chart]

Mr. MFUME. The poster board behind me illustrates that this is a win for low-and middle-class Americans. These IRA-backed improvements, as you can see, achieved 87-percent peak levels of performance and service success as a result of their implementation, 87 percent higher than in any other time. It was a dramatic increase from the previous tax filing year alone. IRS answered 6.5 million more calls than last year, cutting the wait times down by 86 percent, which I think is phenomenal. It served more than 140,000 additional taxpayers and cleared the backlog of unprocessed 2022 individual tax returns with no errors. Now, you got to be doing something right to have those kind of numbers that are certifiable and verifiable.

So, these are real and tangible and immediate results that show that investment in the IRS improves taxpayer services. Do not take

my word for it. The IRS pointed out in a sweeping release that, by the way, I would ask unanimous consent that it be entered into the record, showing that the Agency will continue to prioritize efforts of high-income individuals and companies without running away, turning a blind eye, or refusing to do what they should, in fact, do.

Mr. MFUME. So, these are real. As I said before, they are tangible. They are immediate results that show that investment in the IRS improves taxpayer services. Unfortunately, after this year's tax filing season, in the budget negotiations, the Nation was forced to heed the Republicans' persistent call for rescinding the IRS funding. There were a lot of boogeyman stories that took place all over the Floor of the Congress about what was going to happen to almost virtually scare the American taxpayer into believing something that was not true.

The reality is the Agency kept its promise, its commitment to the Nation, and its stated goal of cracking down on delinquent tax-evading millionaires who had been getting away, as I said before, with robbery. The Agency kept its commitment. And so, despite cuts to its funding and the persistent and dangerous mischaracterizations of IRS agents as sort of an army of boogeymen waiting to kick in your door and lock you up, we have got to stop playing games like that. And we have got to make sure that middle-class Americans know what the facts are, what the intentions were, and, more importantly, what the goals have been and the conclusions that bear those goals out have been.

To the extent that IRS has collected nearly \$160 million in back taxes from individuals earning over a million dollars speaks volumes about who they are trying to help and who are they trying to keep us from being taken advantage by. These millions of dollars in missing tax payments were not an accident. It was not manna from Heaven. It was a clear, deliberate effort to make sure that enforcement was the way it should be by that Agency and to make sure that tax cheats, particularly the wealthy, wealthy, wealthy ones, did not have a safe haven. For example, the IRS identified one individual who just last month was ordered to pay \$15 million in restitution for falsifying personal expenses as deductible business expenses. I do not know what kind of neighborhood that person lives in, but when you can get that kind of fine, it suggests that you have been getting away with one serious crime and was caught. These efforts to defraud the Federal Government included financing of a 51,000-square-foot mansion.

I am glad whoever the hell it was got caught. I really am. That is the affront and that is the tragedy here, and that is why we have got to find a way to make sure the IRS protects middle-income people by going after the high-income abusers. These sorts of greedy tax cheats exacerbate the \$688 billion tax gap, highlighting the stark contrast between the amount of money owed and the amount of collected by the IRS on time. In other words, the more millionaires and billionaires who skirt around and play around with paying their fair share, the larger the burden that falls on hard-working, everyday Americans who pay their fair share every year on time. The IRS reports that even small declines in taxpayer compliance can cause the Nation billions of dollars in lost revenue, un-

derscoring the need for simplicity and efficiency during the tax filing season.

And that is why I co-led, with my colleague here, Ms. Porter, and with Mr. Connolly of Virginia, the Trust in Government Act, which directs the Department of Treasury to expand electronic tax filing and other customer support via email. We also led the Streamlining IRS Operations Act, which requires that tax returns filed on paper can be readily digitized. The IRS heeded that ask in that request by expanding—not reducing—by expanding its digital scanning efforts this tax season. So, Congress must continue to ensure that the IRS has the funding and the resources necessary to maintain its remarkable progress since IRA became law, progress that is unheralded in many respects and unnoticed by others who hide behind these fake characterizations. Make no mistake, further cuts will hamper the IRS' ability to execute transformative change.

And so, I urge my colleagues on both sides of the aisle to preserve IRS funding as we move forward from our current stalemate and get back to the business of funding the Government's operations. I want to thank our witnesses, Commissioner Werfel and Director Lucas-Judy for your participation in today's hearing, and I am particularly looking forward to hearing from Commissioner Werfel about the status of the IRS' upcoming tax filing program, known as Direct File.

We have the duty and the obligation in this Committee to ensure that the government operates at a top-tier level for all Americans, and I look forward to discussing, as Members of Congress, how we can work to support those efforts. I yield back, Madam Chair.

Mrs. MCCLAIN. Thank you. I now recognize Chairman Sessions for the purpose of making an opening statement.

Mr. SESSIONS. Chairwoman McClain, thank you very much. I am sorry to each of you for being late. We have had business in another part of the complex. Commission Werfel, thank you so much for being here, and, Ms. Judy, thank you very much.

The opportunity for us to meet today, that we spoke about yesterday, Commissioner, is one of natural inquiry that this Committee has. It is about the effectiveness of the Internal Revenue Service as it relates to their ongoing business that this Subcommittee believes is very important, but perhaps it goes into much deeper points, and that is why we are also here today. We need to make sure that the IRS in its performance does do its job. As Mr. Mfume says, we need to make sure they are properly funded. We need to make sure that they treat all people fairly, not just some that they would choose to. We believe that there have been reasons why you were brought on board the first time as Commissioner, Acting Commissioner. We believe that there are reasons why you are there today, perhaps a second view at the IRS. There are a lot of things that we will want to get into.

But perhaps it is most important for me to say this, that I believe confidence in the IRS is what we are after. I spoke to you about this yesterday, about the sizing models, about the professionalism, about their ability to attention to detail for the American people to be able to get not just a good answer, but to be able to get through on the phone without having to wait for hours. The effectiveness of the IRS and ability to get their job done is important.

We know that the IRS is going to cooperate with us, because you told me that yesterday, on sensitive matters. You and I spoke about that you actually did not want to get into actual information today, and I concurred, but we are going to talk today to get an idea that you will cooperate. And you will cooperate fully with us, that you will make sure that the questions that we ask, while you do not have to go into the specifics about those, certainly not names, certainly not times, certainly not about the investigation, but about your agreement that you will cooperate with this Committee and with Congress in those regards.

So, we know that you have been given some extra \$80 billion. We are going to want to talk about that and the deployment of that, and how that is going to aid and do the things that would be necessary. I think it is important that you know that the IRS touches almost every single American, and so the information we get back, the things that we hear back comes at a time that you have got to defend a lot of ground.

I want to thank you for being here today, I want to thank Mr. Mfume, and I want to thank Chairwoman McClain for allowing us to start this meeting without me. And, Madam Chairman, I yield back my time so we can go to opening statements.

Mrs. MCCLAIN. I now recognize Ranking Member Porter for the purpose of making an opening statement.

Ms. PORTER. Have you heard of death by a thousand paper cuts? It is how to get rid of something by suddenly attacking it over and over until it is finally gone: death by a thousand cuts. For too many years, Washington politicians have worked to gut the Internal Revenue Service, and they found creative ways to cut the IRS time and time again.

How do they do that? Phase one, they start by attacking its credibility. Look, I know that the Agency that collects our taxes is not easy to love. Believe me, opportunistic politicians know that, too. So they go on TV, and they give the IRS a verbal slash, falsely suggesting to the American people that the IRS is spying on us, targeting us for our political beliefs, or going after us to pay more money than we owe. What a bunch of B.S. But even though those claims lack any evidence, we might be inclined to believe negative things about an Agency that collects taxes. Look, even the Bible is not that kind to tax collectors. These politicians easily succeed in creating and spreading hostility, making it even easier to slash the IRS again.

Cue phase two, full-on partisan investigations and attacks on the hardworking employees of the IRS. Look no further than the last time the Committee Republicans went hard after the IRS. Under the Obama Administration, Republicans falsely claimed the IRS was unfairly targeting conservative organizations more than progressive organizations applying for tax exempt status. The IRS spent \$20 million and produced 1 million pages of documents in response. Ultimately, Republicans did not prove anything. They instead used it to justify diverting resources from IRS customer service, IT, and enforcement. But that is what opportunistic politicians wanted, to turn people against the IRS, to divert resources so the Agency cannot do its job, and then to take one last slash.

That brings us to phase three: budget cuts. When politicians tell us that our tax collector is after us, no one wants to fund the collector, and that is exactly what has happened. Opportunistic politicians have succeeded in cutting IRS staffing 20 percent lower than it was in 2010, even though the country has grown by 7 percent since then. The Agency has been so battered that we will need 52,000 new IRS employees just to meet the Agency's needs. That is how bad it has gotten, folks, year after year of politicians taking slashes at the IRS.

Opportunistic politicians have not succeeded in totally killing the IRS by a thousand cuts, but the cuts have gotten deep, and the Agency is badly wounded. Who suffers from all this? We do. We all suffer. When we need help with our taxes and no one is available at the IRS to pick up the phone, blame a politician who slashed the IRS budget. When we want the IRS to make tax filing easier or work harder to make our information more secure, but the IRS cannot invest in technology with adequate cyber security, blame a politician who slashed the IRS. When we pay our fair share of taxes and just want the IRS to make sure billionaires do the same, but they do not have the staff or the resources to do it, blame a politician who slashed the IRS.

Our current House Republican Majority has too many of these politicians who love to slash government institutions to their breaking points. As we sit in yet another Republican-led hearing to attack the IRS instead of making it work better, other Republicans are off slashing our entire Congress at the same time. They have stopped Congress from doing its work because they have not been able to elect the Speaker of the House, so we cannot pass any legislation. The most opportunistic Republicans have spent so long attacking our government that now Republicans do not even trust each other, but that is what the opportunists wanted: a weak Congress, a weak IRS. It is what they call smart government, but in reality, it is a Federal Government that cannot serve its people. Right now, the opportunists are creating that reality. A bipartisan coalition of reasonable Members of Congress can stop them.

Today, everything that we do and say matters. Before my colleagues whack the IRS, consider that your whack might be one of the thousands of cuts over time that weakens our government and hurts the American people. Instead, we should all use today to determine what the IRS needs to serve the American people and how Congress can be an effective partner, that is, if Republicans ever elect a speaker so we can legislate. I yield back.

Mrs. MCCLAIN. Thank you. I am pleased to welcome our witnesses for today, Commissioner Danny Werfel and Jessica Lucas-Judy. Danny Werfel is a Commissioner of the Internal Revenue Service and Jessica Lucas-Judy is the Director of Strategy Issues at the Government Accountability Office. We look forward to hearing what you have to say on today's important subject.

Pursuant to the Committee Rule 9(g), the witnesses will please stand and raise their right hands.

Do you solemnly swear or affirm that the testimony that you are about to give is the truth, the whole truth and nothing but the truth, so help you God?

[A chorus of ayes.]

Mrs. MCCLAIN. Let the record show that the witnesses answered in the affirmative. Thank you, and you can have a seat. We appreciate you being here today, and we look forward to your testimony.

Let me remind the witnesses that we have read your written statement, and it will appear in full in the hearing record. Please limit your oral statements to 5 minutes. As a reminder, please press the button on the microphone in front of you so that is on, and the Members can hear you. When you begin to speak, the light in front of you will turn green. After 4 minutes, the light will turn yellow. When the red light comes on, your 5 minutes have expired, and we would ask that you please wrap up.

I now recognize Commissioner Werfel for his opening statement.

**STATEMENT OF DANIEL WERFEL
COMMISSIONER
INTERNAL REVENUE SERVICE**

Mr. WERFEL. Chairman Sessions, Chairwoman McClain, Ranking Members Mfume and Porter, and Members of the Subcommittees, thank you for the opportunity to testify on IRS operations.

I am pleased to report the IRS continues to make important progress in our effort to transform our Agency through implementation of the Inflation Reduction Act. Using IRA funding, the IRS has three objectives to help taxpayers and the Nation: first, ensure taxpayers can easily contact the IRS, whether in person, on the phone, or online, and get help navigating complex tax laws and accessing the credits they deserve; two, identify the growing number of wealthy taxpayers, including individuals, large corporations, and complex partnerships, who are shielding income to evade their tax responsibility and collect from them what is owed; and third, address the growing risk of tax scams and schemes by protecting honest taxpayers from them, and root out the nefarious actors that perpetrate them.

Achieving this ambitious agenda will require that we rebuild areas in the IRS that have suffered from more than a decade of underfunding that preceded the Inflation Reduction Act. A critical change we are making involves providing our IRS workforce with the right tools, including training, technology, and smarter processes, so we are ready now and in the future to meet our core mission of supporting taxpayers and the Nation.

With the IRA funding, we are clearly making a difference. A good example is phone service. At this point last year, we had an average level of service on the phones of about 14 percent, and we answered fewer than 9 million calls. This year, after hiring more than 5,000 additional phone assisters, our level of service exceeded 85 percent during the filing season, and we answered more than 15 million calls. We also improved in-person service at our Taxpayer Assistance Centers, or TACs. Since the infusion of IRA funding, we have hired more than 700 new employees at the TACs, reopened 46 centers, and opened four new ones. This has allowed us to serve more than 1.6 million people at our walk-in centers so far this year, which is 18 percent above last year. We also opened temporary walk-in centers to serve taxpayers who do not live near an in-person center, something we did not have the resources to do in the past.

Modernizing our operations is the key to meeting many of our transformation goals, and we are making progress here as well. We are using IRA funding to upgrade our information technology infrastructure and to improve the taxpayer experience for those who choose to interact with us online. For example, we added new features to enhance our taxpayer online accounts, and we recently launched the business tax account, neither of which we were able to do before the IRA funding.

The transformational changes we are making extend to enforcement as well. Before the Inflation Reduction Act, the IRS, for several years, was unable to audit a reasonable percentage of complex returns of high-dollar groups, especially wealthy individuals, large corporations, and complex partnerships, but with IRA funding, we are turning that around. We are hiring accountants, attorneys, engineers, economists, and data scientists needed to tackle these complex returns, and we are already seeing results. For example, in just the last few months, we have recovered more than \$100 million from closing delinquent tax cases involving millionaires. As part of these efforts, we recently announced major new initiatives to step up audits of the largest corporations and partnerships. At the same time, we have been reevaluating our enforcement activities in other areas, and we will be reducing correspondence audits of returns that claim the earned income tax credit and other refundable credits.

Another important area we are making progress, involves data security. While IRS has always prioritized protecting our systems and taxpayer data, IRA funding allows us to invest in additional controls to secure our systems. This includes adding new restrictions and limiting access to key data to protect against insider threats. Our data security posture has been strengthened to make taxpayer data safer now than ever before. To ensure transparency, we recently updated, on [irs.gov](https://www.irs.gov), all of our latest improvements to data security. We will continue to do more to ensure that taxpayers and our own systems are protected.

Chairman Sessions, Chairwoman McClain, Ranking Members Mfume and Porter, Members of the Subcommittee, that concludes my statement. I would be happy to take your questions.

Mrs. MCCLAIN. Thank you, Mr. Werfel. I now recognize Jessica Lucas-Judy for her opening statement.

**STATEMENT OF JESSICA LUCAS-JUDY
DIRECTOR, STRATEGIC ISSUES
GOVERNMENT ACCOUNTABILITY OFFICE**

Ms. LUCAS-JUDY. Thank you. Chairs McClain and Sessions, Ranking Members Mfume and Porter, Members of the Subcommittees, thank you for this opportunity to be here today. IRS has laid out an ambitious vision in its strategic operating plan. My written statement describes key findings from GAO's prior reports. I will focus my remarks this afternoon on open recommendations that will be important as IRS implements its strategic operating plan. These fall in three key areas: improving taxpayer services, efficiently processing tax returns, and protecting sensitive information.

So first, taxpayer service. IRS was late in responding to more than half its correspondence in 2022, including amended returns

and identity theft documentation. We recommended that IRS communicate timeframes for resolving its backlog. Delayed correspondence can prompt taxpayers to write again or to call. In 2020, we recommended that IRS identify performance goals for an improved taxpayer experience. Without such information, it will be challenging to assess progress made toward an improved taxpayer experience.

IRS' attrition rate for critical filing season staff is high relative to the Agency's overall attrition. Additionally, IRS-wide data show the Agency loses about 23 percent of new recruits within 2 or 3 years. IRS faces challenges hiring employees and lacks information about where skills gaps exist and what skills will be needed in the future. In 2019, we recommended IRS fully implement its workforce planning initiative. IRS said it intends to do so by March 2024. Full implementation would provide a comprehensive inventory of IRS' current workforce that it could use to develop staffing requirements and address skills gaps. We are continuing to review all of these issues as part of our review of the 2023 filing season.

The second area I will cover is processing tax returns. In 2018, we recommended that IRS digitize information from paper returns. To control costs, IRS was transcribing a limited amount of information from paper into its data bases. IRS recently announced an initiative to allow taxpayers to digitally submit all paper returns. By filing season 2025, IRS aims to digitize all paper-filed returns when received, consistent with our recommendation.

IRS can also improve electronic filing for businesses. In 2021, we recommended that IRS identify and address the barriers to e-filing, and in response, IRS identified barriers but has not taken action to address them due to competing priorities. Addressing these barriers can help IRS reduce the volume of more costly paper-based work and improved services to business filers. Congress can also help to improve return processing by broadening IRS' authority to correct simple tax return errors. This could facilitate correct tax payments and help avoid costly burdensome audits. In addition, Congress could allow IRS to establish professional requirements for paid tax preparers. This could increase the accuracy of tax returns that they prepare and potentially reduce the tax gap.

And then the third area is protecting information. Strong protections are critical to maintaining public confidence and avoiding data breaches that expose sensitive information to fraudsters. As of October 2023, IRS had implemented 85 percent of the more than 450 recommendations we have previously made in this area, but others remain open. Increasing oversight of contractors who access taxpayer information, as we recommended in August 2023, will help IRS know when contractors are not meeting their training requirements. Providing guidance to employees responsible for contractor oversight will give assurance that those employees will report incidents timely and accurately. IRS generally agreed with these recommendations and said it plans to act on them.

IRS also needs to address recommendations related to internal control over financial reporting that remain unimplemented following our Fiscal Year 2022 audit of the IRS' financial statements. And finally, as we reported in January 2023, IRS uses a significant number of outdated or aging applications, software, and hardware

assets. Reliance on these legacy assets can contribute to security risks, unmet mission needs, and increased costs. For example, IRS needs to replace its 60-year-old individual master file, the IMF. That is the authoritative data source for individual tax account data. IRS has been working to replace IMF for more than a decade, but suspended two related initiatives and has unclear timeframes for completing them. Implementing our recommendations to establish timeframes for disposing of IMF and other legacy systems would provide accountability and reduce risk. IRS said it will document a complete modernization plan. So, in summary, in refining and carrying out its Inflation Reduction Act strategic operating plan, IRS should work toward implementing our open recommendations.

Chairwoman McClain, Chairman Sessions, Ranking Members Mfume and Porter, Members of the Subcommittees, this completes my statement, and I look forward to your questions.

Mrs. MCCLAIN. Thank you. I now recognize myself for 5 minutes.

I feel like I am watching a “Dateline” movie. One side says everything is going great, and the other side says it is going horrible, so let me talk about from my district because I represent the people from my district today. I would like to begin by just sharing more about the complaints that I have received in my short time period this year.

I have four constituents who have contacted my office because they have yet to receive their 2022 tax refunds. Some have thousands of dollars stuck in limbo as they wait for their tax refund credits. Others cannot get assistance from the IRS via phone, despite waiting on hold for hours. They cannot get updates on their delayed refund status. The phone system really seems to be an issue. I have constituents who run small businesses and say they cannot get an answer on just the status of their employee’s return or their tax credit applications.

My office recently helped a constituent who had trouble with IRS releasing their deceased father’s last tax refund. This refund, which totaled \$30,000, was finally released after my casework team and the Taxpayer Advocate Service intervened, as well as the accountant. These are just kind of a handful of the frustration from my constituents. Maybe my office is alone on this and the people on the other side of the aisle have no issues, so just interesting. Although these cases are specific to my constituents, the underlying fact pattern is essentially the same across the country. It seems like the IRS is not performing efficiently or effectively.

So, my question is, why can’t the IRS provide taxpayers with quality phone service at least in my district.

Mr. WERFEL. Madam Chairwoman, I appreciate the opportunity to respond. First, I think we did have a tremendously improved filing season from 2022 to 2023 as a result of the infusion of Inflation Reduction Act funds. Specifically, we were able to immediately hire 5,000 new customer service representatives and put them on the phones. So, for those that called during filing season, and that is the end of January to mid-April, we were able to answer 87 percent of those calls with a 3-minute wait time.

Now, there is more to do, and some of the issues that you were raising, I was ticking off in my brain different monetization plans

that we have underway. So, for example, if you file your original tax return electronically and you give us a bank account that we can automatically debit, for those taxpayers, on average, you get your refund within 13 days. That is what we achieved. But if you do not file electronically, now you are in a paper process, and that—

Mrs. MCCLAIN. Which takes longer. I totally understand that.

Mr. WERFEL. And look, American taxpayers should have a choice. We would love for them to file online, but if they choose to file on paper—

Mrs. MCCLAIN. So is your assumption that they are filing on paper and if they just moved to the electronic—

Mr. WERFEL. I think that would incredibly improve their odds of getting their refund.

Mrs. MCCLAIN. But I am talking about the phone service. So, whether you file electronically, or whether you filed paper, if I call you, I still need to get someone on the phone to speak with. I mean, I just met with a constituent that their information, or they have been trying to get information from you since February, they said that they would get an answer by October 20. Somebody would call him back with the status of just an answer. It is the 24th, we still have not had an answer.

Mr. WERFEL. I understand.

Mrs. MCCLAIN. I mean, this is a small business in our community. That has to do with customer service.

Mr. WERFEL. And let me offer two things that will help.

Mrs. MCCLAIN. OK.

Mr. WERFEL. Obviously adding more customer service reps, training them, that is all in process. The second thing that will help is modernizing our call center.

Mrs. MCCLAIN. OK.

Mr. WERFEL. Investing in things like more callback options, like you can sign up, we will call you back, in the queue.

Mrs. MCCLAIN. Yes.

Mr. WERFEL. It also means more automation. There are certain things that can be done by pressing buttons versus waiting for human, and maybe your constituents need the human, but if other people in the queue can be deflected to automation—

Mrs. MCCLAIN. I got it. And one last point before my time is up.

Mr. WERFEL. I understand. Go ahead.

Mrs. MCCLAIN. So, I think what you are saying is if we can modernize our systems, people would get a return call faster.

Mr. WERFEL. Yes, and then—

Mrs. MCCLAIN. Directionally. OK.

Mr. WERFEL. Absolutely.

Mrs. MCCLAIN. If that is the case, then why in the Inflation Reduction Act is only roughly \$7 billion targeted to system modernization and taxpayer service, and the other, out of the \$80 billion, I mean, if that is the problem, goes to enforcement and operational support? With that, I will yield back. Oh, I forgot. The Chair now recognizes the Ranking Member, Mr. Mfume.

Mr. MFUME. Thank you very much, Madam Chair. Mr. Commissioner, you do not have an easy job, and it goes without saying that the more that this Congress can help you do that job, the better

the performance for all Americans. We seem sometimes to forget that we continue to increase in population and yet want to decrease the funds that are there to apply services to those people. So, because we represent all of them, 770,000 in each of our districts, we are going to hear from time to time from people who, for whatever reason, would want better service, but am glad to be able to take the good news back, that things are improving as a result of the Inflation Reduction Act. And “improving” may not even be the right word. In some cases, they are absolutely astonishing, some of the peaks that IRS is achieving.

Ms. Lucas-Judy, you said there were three things you thought should be highlighted: taxpayer service, performance by the IRS in performance goals, and protection of information, and you have passed this information along to the Commissioner. What are your early readings telling you? Does it look like the IRS is, in fact, trying to find a way to get to those achievable goals?

Ms. LUCAS-JUDY. Yes. As you have heard, the performance and the most recent filing season was significantly better than in prior years. It does come at a cost, though, because the same people who are answering the phones are the ones who are processing returns and correspondence. And so, we think it is important that there will be a long-term strategy in place for dealing with issues like that.

Mr. MFUME. Thank you. Thank you. That is good news. At some point in time we ought to shout good news when it occurs. Madam Chair, I am going to yield the balance of my time to the Chairman of the full Committee, the distinguished gentleman from Maryland, Mr. Raskin.

Mr. RASKIN. Congressman Mfume, thank you very much for that. And thank you for your excellent remarks and for pointing out that it is only after decades of deliberate understaffing and underfinancing and political attacks that the IRS has grown so unresponsive and ineffective and vulnerable to rip-offs by big corporations and by the wealthiest people. But in the Inflation Reduction Act that we passed last year, unfortunately without any Republican support, the Democrats set about to increase the responsiveness of the IRS to improve the effectiveness and to advance equity there.

[Chart]

Mr. RASKIN. The U.S. tax system has disproportionately targeted lower-income taxpayers, giving preferential treatment to the wealthiest filers. When we passed the Inflation Reduction Act, it provided the IRS with resources to make certain that billionaires and large corporations would pay their fair share. Early this year, our Committee held a hearing to examine GAO’s 2023 High Risk List, which highlights the Federal programs and operations most vulnerable to waste, fraud, corruption, abuse, and mismanagement. Enforcement of our Federal tax laws has been on that list since 1990 for the last 33 years. In this year’s update, GAO presented startling data about IRS audit rates for individuals between 2010 and 2019. Now, the dotted red line shows the audit rate for tax filers making \$5 million a year or more, and you see the dramatic reduction in audits taking place of the wealthiest American citizens, less than 1 percent of the American people.

Ms. Lucas-Judy, GAO identified that audit rates decreased for everyone. In other words, the IRS was much less efficient, in general, but the dotted red line shows that it declined the most for people making the most money. Is that right?

Ms. LUCAS-JUDY. Yes.

Mr. RASKIN. OK. What has the Inflation Reduction Act done to your ability to actually do the audits and to crack down on tax-cheating schemes?

Mr. WERFEL. Well, I will take that question, Mr. Chairman. I appreciate it. It makes all the difference in the world. I mean, the emphasis of the Inflation Reduction Act is that if you are middle or low income, you will receive better service, but if you are wealthy or a bad actor of any wealth, you will receive more scrutiny. That is the agenda that we are undertaking under the Inflation Reduction Act. So, we are using the funds not to increase audits on middle-and low-income or small businesses. We are using the funds and are laser focused on—

Mr. RASKIN. Why do some people not want that? Why is there a whole political lobby trying to undermine the effectiveness of the IRS?

Mr. WERFEL. That is a big question, Mr. Chairman. I have been in and around the IRS for a long time. I find that we are often kind of the poster child of government, and when you are debating big government versus small government, we usually enter the argument, but I can tell you this. I have been at the IRS in this role now for 7 months. All I find when I get there are absolutely dedicated passionate public servants that want to do the right thing. They are not perfect, they do not always do it correctly, but they are trying to do the right thing, and we are rallying around this mission, this three-part mission that I have outlined.

If you need to reach the IRS, you should be able to reach the IRS. For the wealthy and bad actors, we are increasing scrutiny. And third, we are going to help victims of tax scams. We are going to try to prevent them, and we are going to hold the perpetrators accountable. That is the agenda, and that is the focus. And I really want the American people to understand that a well-funded IRS can achieve great things along those three areas.

Mr. RASKIN. Thank you. I yield back.

Mrs. MCCLAIN. Thank you. The Chair now recognizes Mr. Sessions.

Mr. SESSIONS. Madam Chairman, thank you very much. I appreciate the Ranking Member for his questions. With that said, Mr. Commissioner, yesterday we spoke about the effectiveness of the IRS, their ability to adapt themselves to what might be near-term companies that offer wide services, and how they have adapted themselves to technology to the things that would be necessary to be aware of them offering good customer service. I also talked to you about, and you and I spent a good bit of time talking about, questions that you do not want to answer that are extraneous to that matter, and you heard me agree with you. So, I am not looking for an answer now, but want you to know that I have penned a letter today to you that will be in the mail.

And essentially it goes back to some hearings that we have held here in our Committee on testimony about IRS agents who were

whistleblowers, and they brought up information that they had faced retaliation, and I want you to know that I am sending you a letter. We are going to ask you a series of questions about that retaliation, about your involvement, about the Agency. We are going to match up your answers with that, that we have received in detail from these IRS agents who came into contact on a regular basis with the Department of Justice, Department of Treasury, and were overridden on what seemingly could be described as perhaps an imperfect system, but they were held back what we also see as political reasons.

Next, recent court documents talk about how the IRS contractors have released information of a number of high-profile people, and we just want to make sure that you answer just as you have today about other things that are not going so well, about the steps that you have taken. GAO will be interested in that. Others will be interested in that. And even things like 3 years ago, the *New York Times* ran a story about the release of data and information, and we have yet to hear back of specific information pertinent to that about any investigation you may have made.

Commissioner, please know this, that we do have problems with the IRS, and we also know the IRS has their own problems of trying to stay up with people and to do things. But we believe that this new money that is coming there should also go directly to fix the problems of people who are honest taxpayers, who are trying to get their work done, getting phone calls that come in, training that is necessary as to where an answer would be given, to where you strongly identify people. We talked yesterday about this dot-gov portal that perhaps you are relying on and how ineffective that is. Billions of dollars, hundreds of billions of dollars went out to people that probably should not have received them based upon data that you were counting on that is fraudulent about those individuals.

So, I want you to know that we believe that you are under the gun. We believe you do not have the adequate resources, that your computer systems are outdated. With that said, we are also concerned about the integrity of high-value people that you just spoke about. You spoke about the number of people making \$5 million not paying taxes. Do you not find out until the end of the year that you are not getting a regular 941, that you are not receiving the information that you receive? Why is it that you cannot look at those people who are these high-value people and make some determination earlier?

Mr. WERFEL. Well, we are trying to build the infrastructure to be able to do it more effectively. It is not one simple answer. The way in which taxes are evaded, sometimes they are set up in extremely complicated structures using offshore tax havens. Sometimes, as mentioned, it is overstating deductions. It comes in a variety of different forms, and what happened over the 12 years that predated the IRA is, due to budget cuts and lack of investment, we lost track. We fell behind. So, for those taxpayers that can hire an army of lawyers and army of accountants, we fell behind in terms of keeping pace with the complex methods they are using, in some cases, to shield their income, and now we are catching up. And we are catching up by investing in data scientists, and engineers, and

economists, and subject matter experts that are going to help us now keep pace and identify at greater specificity and a greater accuracy where these issues are so we can select the right cases for audit and bring that those funds that are due back to the American people.

Mr. SESSIONS. One last question, and then I will yield back my time. The gentlewoman, Ms. Lucas-Judy, referred to the recommendations and that the IRS has afforded themselves of looking at about 85 percent of the recommendations. Were recommendations made to you, Ms. Judy, to them about these high-value accounts, about how you look at that?

Ms. LUCAS-JUDY. We have recently issued a report on the Partnership Audit Program and made recommendations that IRS should improve its audit selection models and also make sure that it is defining large, complex partnerships and putting in place measures to assess the effectiveness of the audit program. Thank you.

Mr. SESSIONS. And what was their response?

Ms. LUCAS-JUDY. I believe that they agreed with the recommendations.

Mr. SESSIONS. Thank you very much. I yield back my time, Chairwoman.

Mrs. MCCLAIN. Thank you. The Chair now recognizes Mr. Raskin.

Mr. RASKIN. Thank you, Chair McClain, for calling the hearing, and also Ms. Porter and Mr. Mfume for their thoughtful remarks today.

Look, the American people want a tax system that is simpler, fairer, and more responsive, and I wish that we could have hearings on each of those. I mean, just to take a look at simplicity, for example. I have lived in foreign countries where they do not have a multibillion dollar business in H&R Block. And all of these companies that are trying to help people understand their taxes, and most people's taxes, you know, 90 percent of people's taxes could be done in 15 minutes or 20 minutes, which is what it is like in countries around the world. We should be having a hearing about why we have a \$10-billion-a-year-plus business in helping people do what the government should be helping them do instead. But what we have got is one more hearing to beat up on the IRS as part of the program to deconstruct the administrative state as Steve Bannon promised at the beginning of the Trump Administration, and we are right in the throes of it. One can only regard with amazement that any member of the Republican Party today would lecture the Commissioner of the IRS about efficiency or organization or anything else.

Look at what the Republicans are saying about the Republicans today on Capitol Hill as we live through all of the reverberations of the Chaos Caucus. So, "the world is burning around us. We are fiddling. We don't have a strategy." That is Representative Steve Womack, Republican from Louisiana. "We are fractured," says a Member of this Committee, Representative Anna Luna from Florida. "It is not a normal Majority," says Representative Tom Cole, Republican of Oklahoma. Here is Representative Marjorie Taylor Greene talking about the Republicans: "This conference is abso-

lutely broken.” Here is Kevin McCarthy, who used to be speaker before he was deposed by the Republicans: “This is embarrassing for the Republican Party. It is embarrassing for the Nation.” Here is Representative David Joyce from Ohio, who probably sums it up best: “We are a party that cannot govern.”

Here is Representative Troy Nehls from Texas: “We are a broken conference.” Representative Tom Emmer said, “If it were a family, we would be the most dysfunctional family on the face of the planet.” Here is Representative Austin Scott, who ran briefly for Speaker in the speakership sweepstakes taking place right now: “It makes us look like a bunch of idiots” and Representative Mark Alford from Michigan, another Republican: “We are a ship that does not have a rudder right now.” So, it would be great if we could actually get a Speaker of the House and a functioning House of Representatives so we could deal with these issues.

Now, the implementation of the IRA shows that providing adequate resources to the IRS dramatically improved services to our people and the effectiveness of the overall mission. In the 2023 filing season, IRA investments allowed the IRS to create and adopt digital tools to process tax returns more efficiently. The Agency greatly improved in-person service, service over the telephone, and online customer service, but we know a lot more needs to be done. I have a constituent who came in to see us in August. He and his wife had filed their taxes in April. They got their refund from the state of Maryland in 2 weeks. After 5 months and multiple attempts to get the IRS to send their tax refund, they still could not get it. They reached out to my office in desperation, and we were able to work with the Taxpayer Advocate to make it happen. But nobody should have to go through that experience of bureaucratic lethargy and frustration like that, but we know that you are making improvements. It is moving in the right direction, but you are writing against a background of decades of deliberate underinvestment.

Well, the IRA is also making an administration tax system more equitable. You are hiring experts who can audit and enforce tax laws against big corporations and ultra wealthy filers who have been able to get away with a lot before that. Commissioner Werfel, how has the IRA allowed IRS to crack down on tax cheats? Is the investment the American people have made paying off in terms of the money we are getting back?

Mr. WERFEL. It is, Ranking Member Raskin. It absolutely is, and we are putting the money to work today to take a variety of different steps. We are increasing the number of audits on our largest corporations using analytics that we have invested in to make sure that we select the right corporations that are the highest risk of shielding income inappropriately. We have increased the number of audits on complex partnerships, something the GAO has pointed out, how anemic our partnership audit rate is. And again, we are using invested new tools and analytics to make sure that we are understanding the types of trends necessary to know where those complex partnerships are that are actually evading taxes, so we have improved the efficiency of our audit.

And as mentioned earlier, we have launched an effort to get back taxes from millionaires and billionaires, and we have identified

1,600 high-priority targets, if you will, of millionaires and billionaires, and we have already collected, in the early months, over \$100 million in back taxes. All of that is IRA money being put to work. And as you mentioned, on the services side, we have a lot of work to do, building block by building block. We are making changes to our services to make that story that you told a thing of the past.

Mr. RASKIN. Thank you very much. I yield back, Madam Chair.

Mrs. MCCLAIN. Thank you. The Chair now recognizes the gentleman from Alabama, Mr. Palmer.

Mr. PALMER. I know you keep talking about going after millionaires and billionaires, but you are also going after Taylor Swift fans who sold their tickets for over \$600. The previous rule was if someone earned \$20,000 and had more than 200 transactions, you did it, but the bill lowered it to \$600 regardless of the number of transactions, so it is not just millionaires and billionaires. You are also going after auditing small businesses and others. And I just want to point out something to you. One of your predecessors, John Koskinen, testified before this Committee in 2015, and he said it would not be advisable to audit our way out of the tax gap, yet that is exactly what you are trying to do.

I have a question for you, Commissioner Werfel. If a tax filer, if a private citizen willfully concealed or manipulated a tax document, would that be considered a form of tax fraud?

Mr. WERFEL. Yes. Based on the way you described, if they willfully manipulated to misdirect or misreport, that could be considered tax evasion.

Mr. PALMER. Yes. And the penalty for that could be a fine up to \$250,000 and up to 5 years in prison. Is that correct?

Mr. WERFEL. Well, each case differs, but they are—

Mr. PALMER. And for a business, it could be up to \$500,000 and 5 years in prison. Let me ask you this. If government auditors were similarly found to be backdating or manipulating tax forms of private citizens, would that also be considered a form of tax fraud?

Mr. WERFEL. It is concerning and—

Mr. PALMER. No, no. I asked you a direct question. If a private citizen altered information on a tax document, whether it is a date or a signature from a supervisor, it would be considered tax fraud and it would be prosecuted. It is a felony. They could have to pay up to \$250,000 in fines, and they could serve up to 5 years in prison. So, what are the penalties for IRS employees who do the same thing and possibly jeopardize a private citizen on their tax filing? So, what is the penalty?

Mr. WERFEL. Yes, there should be accountability.

Mr. PALMER. Yes, but what—

Mr. WERFEL. It—

Mr. PALMER. No. What is the penalty?

Mr. WERFEL. If you will allow me to elaborate, I can elaborate.

Mr. PALMER. Yes. I do not want a long answer. I want you to tell me, what is the penalty?

Mr. WERFEL. Well, there is no specific penalty. It depends on the circumstances, and it does expense on the circumstances with the taxpayers as well.

Mr. PALMER. The *Wall Street Journal* reported on this. You are in court right now, Lakepoint II, LLC v. Commissioner. The Commissioner would be you where you had people who falsified documents, and that is not the only one. So, did anybody get fired?

Mr. WERFEL. Let me tell you what is going on. When any—

Mr. PALMER. Did anybody get fired?

Mr. WERFEL. We are looking into the appropriate personnel. We are following the right process.

Mr. PALMER. OK. Will anyone get fired? Well, if you find they did this intentionally, and the documents indicate they did, because there is an email chain. And maybe, Madam Chairman, Ms. Chairman, we need to investigate this on behalf of the taxpayers because I have major concerns about the tax gap, major concerns. The biggest problem with the Tax Code is its complexity. We need a simpler tax code. And I think we would collect more taxes. Rather than audit people, rather than manipulate tax documents so that somewhere down the line, somebody who filed a legal, accurate tax return does not face a tax bill and potentially a penalty because somebody at the IRS falsified the document. So, there has got to be some penalties.

Mr. WERFEL. Yes. I can assure you, Congressman, we are taking steps to correct the record, to make the taxpayer whole in any of those situations, and they are extremely limited, that we are taking all the right steps and all the right procedures to make sure that that situation is corrected.

Mr. PALMER. Will anybody be fired?

Mr. WERFEL. If there is any accountability, we will follow the right procedures to ensure accountability.

Mr. PALMER. Will anybody be fired? Thank you.

Mr. WERFEL. I am not going to comment on an employee process as to—

Mr. PALMER. If you find out that it was done intentionally as the evidence indicates, keeping in mind the severity of the penalties that are imposed on private citizens, the least that anybody can expect is that someone be dismissed from their job. And I hate to say that because I hate to fire anybody, the consequences for their families, but think about the lack of trust that the American people have in the IRS, and put that first and foremost. I yield back.

Mrs. MCCLAIN. Thank you. The Chair now recognizes Ms. Norton for 5 minutes.

Ms. NORTON. Thank you, Madam Chair, and I appreciate this hearing.

Mr. Werfel, when the American taxpayers reach out to the IRS for help with their taxes, a specific filing or troubleshoot identity theft, they rightfully expect and deserve prompt and helpful assistance. In the past, the IRS has at times fallen short of its duty to serve the American people through timely and accurate responses to taxpayers because of insufficient funding. But I am really pleased to see that the IRS markedly improved its customer service in the most recent tax filing season. Democrats' historic investments in the IRS through the Inflation Reduction Act have already improved taxpayer services.

So, Commissioner Werfel, the IRS achieved an 87-percent level of success answering taxpayer phone calls, exceeding the ambitious

85 percent success Treasury Secretary Yellen set for your agency. Is that correct?

Mr. WERFEL. That is correct.

Ms. NORTON. Commissioner Werfel, the IRS also dramatically cut the average time that a taxpayer has to wait on hold to speak to the IRS or to an IRS employee. Is that correct?

Mr. WERFEL. That is correct.

Ms. NORTON. Commissioner Werfel, for taxpayers who are unable to reach a live assistance immediately, the IRS expanded its customer callback option, correct?

Mr. WERFEL. Correct.

Ms. NORTON. Commissioner Werfel, how was the IRS able to make these telephone and online customer service improvements? I understand the IRS expanded in-person service in 50 taxpayer assistance centers across the country.

Mr. WERFEL. That is correct.

Ms. NORTON. Commissioner Werfel, what help can IRS taxpayers expect to receive from one of these taxpayer centers? In addition to these permanent taxpayer assistance centers, the IRS started a new initiative, pop-up taxpayer assistance services, to assist filers in hard-to-reach areas who might have difficulty getting a permanent location.

Mr. WERFEL. Yes. We want to meet the taxpayers where they are. As I mentioned, not every taxpayer can afford an accountant, and not every taxpayer has the means to travel to a location where we have a walk-in center. So, we are going to where the taxpayers are, and we are setting up what we are calling pop-up walk-in centers where we are being as accessible as we can to taxpayers that need help. We are having Saturday hours for taxpayers that cannot make it during the week because they are working, and we are holding special sessions with low-income taxpayers to help them with their refundable credit application so they get it right the first time.

Ms. NORTON. Commissioner Werfel, when Democrats enacted the Inflation Reduction Act, we prioritized the taxpayer experience. We focused on building an IRS that can meet the needs of taxpayers. From your testimony, Mr. Werfel, it is clear that the investment has already helped address the IRS' longstanding customer service issues, but everyone on this dais still hears from constituents who have problems getting the refunds they deserve. So, Commissioner Werfel, Inflation Reduction Act funding runs through Fiscal Year 2021. Briefly, what is your vision for how the IRS will serve the Nation in Fiscal Year 2031, and how do you plan to achieve this vision?

Mr. WERFEL. I appreciate that question. The vision is that taxpayers who need to reach us will be able to reach us quickly, get their issue resolved because they are either doing it in an automated way or with an effectively trained IRS agent, and that the supply is meeting the demand of taxpayer needs. That means that we have the right sized staff, that we have the right number of walk-in centers where people want to meet us in person, that we have the right sized staff in our call centers, and our call center is modernized with the right, for example, chat bots, the right callback options, the right call routing.

So, that we are investing in technology for maximum efficiency benchmarked against the private sector's best call centers. And it means that our website is operating on private sector benchmarks for online banking so that you can go in, and you never have to talk to a person or walk into a walk-in center. You can manage everything and see everything you need and manage your taxes in your online account.

And as I said earlier, brick by brick, we are building these functionalities. After 12 years of underfunding, we fell behind. Some of this stuff we can do immediately. Some of this stuff cannot be rushed. So, as you will see in filing season 2024 that is coming up, there will be new functionality in the individual online account, new functionality in our new business online account. There will be new functionality in the call center, more callback options, more chat bots. Incremental change every filing season that a taxpayer arrives, they should see an increasingly better experience versus what the opposite was before the Inflation Reduction Act and before we had this funding, where each year it seemed to get worse. Those days are over as long as we can hold on to that Inflation Reduction Act funds and make smart investments, and I am accountable to make sure we are making smart investments.

Ms. NORTON. Thank you. I yield back.

Mrs. McCLAIN. Thank you. The Chair now recognizes the gentlelady from North Carolina, Ms. Foxx.

Ms. FOXX. Thank you, Madam Chair, and I thank our witnesses for being here today. Commissioner Werfel, can you explain what the Applicable Federal Rate, or AFR, is?

Mr. WERFEL. I think you are referring to the overall tax rate for the public, if I understand correctly.

Ms. FOXX. Well, the Applicable Federal Rate, as I understand it, is the minimum interest rate that the Internal Revenue Service allows for private loans. Is that correct?

Mr. WERFEL. I believe you are correct, ma'am.

Ms. FOXX. OK. So, if someone gave his or her family member, including a brother, a loan, would that person have to charge an interest rate equal to or higher than the current AFR?

Mr. WERFEL. I do not believe they would have to charge an interest rate. But again, if you are going to walk me into a hypothetical, I would want to make sure that I am getting it right and consult with my team, but I do not think they are required to provide an interest rate. It depends on whether they are going to treat it as a gift or a loan, and there are a lot of implications there.

Ms. FOXX. Well, then I have a follow-up. It is my understanding that there is an AFR and that it is to be charged. But if the rate is less than the AFR, so if somebody gives you a loan and they do not charge you an interest rate, then the loan is technically a gift, which carries certain tax implications. Is that correct?

Mr. WERFEL. Yes.

Ms. FOXX. Yes. You answered yes?

Mr. WERFEL. Sorry. Yes.

Ms. FOXX. OK. So, if someone gave his or her family member a personal loan of, say, \$200,000, but an interest rate equal to or higher than the AFR at the time was not charged, would that loan then be considered a taxable gift?

Mr. WERFEL. Again, you are getting into a hypothetical where I would want to know a lot of other facts and have kind of expert accountants with me advising, so I think it is dangerous for me to say yes or no unequivocally on a fact pattern where I would probably need a lot more information. There might be other countervailing factors in play that would impact the——

Ms. FOXX. Well, now, what kind of countervailing factors would you hypothesize?

Mr. WERFEL. Well, I mean, I am not sure where you are going with your fact pattern. I do not know——

Ms. FOXX. Well, let us just——

Mr. WERFEL [continuing]. The circumstances, whether there——

Ms. FOXX. I am just trying to be——

Mr. WERFEL [continuing]. Is someone that has been deceased, the timing of this issue.

Ms. FOXX. Yes. I am just trying to determine if this loan does not have interest charge to it, then would that be considered a taxable gift, and other factors may come into play, but is it a taxable gift?

Mr. WERFEL. Yes. And again, I do not know the amount. For example, there is a——

Ms. FOXX. Well, I used \$200,000.

Mr. WERFEL. OK. Fair enough. Again, at the risk of walking through a hypothetical where I do not know the facts, as a general matter, yes, you are describing a situation that may have a taxable event.

Ms. FOXX. OK. Great. Glad we were able to establish that. So next, the so-called Inflation Reduction Act gave the IRS an additional \$80 billion in funding, and you have been talking about that. I think we can all agree that that is an incredible amount of money, right? That is a lot of money, isn't it?

Mr. WERFEL. It is.

Ms. FOXX. Even in today's way of judging money.

Mr. WERFEL. I agree.

Ms. FOXX. So even after Congress trimmed this amount down to nearly \$60 billion in the Fiscal Responsibility Act, how many new agents does the IRS plan to hire?

Mr. WERFEL. So, we are hiring——

Ms. FOXX. Your mic is not on.

Mr. WERFEL. We are hiring not just agents, we are hiring customer service reps, accountants, agents. We have published our 3-year view of staffing, which I am very confident on because I can make key assumptions about needs and market trends.

Ms. FOXX. OK. Well, let me ask you——

Mr. WERFEL. So, we are at 90,000 today, and I think over the next 3 years, we should be over 100,000, but not much over 100,000.

Ms. FOXX. OK. So how many tax enforcement agents out of the ones that you have planned to hire would there be in that 3-year plan?

Mr. WERFEL. I might have that number on me, Congresswoman.

Ms. FOXX. I am about out of time.

Mr. WERFEL. Yes. We should be hiring about 8,000 total, if I am reading my charts correctly, by the end of 2025.

Ms. FOXX. OK. So, you have previously stated the IRS would not target taxpayers earning below \$400,000 per year. How can we be sure that the new IRS agents and tax enforcement resources will not go to targeting middle-class taxpayers and small businesses?

Mr. WERFEL. I appreciate the question. We publish our audit rates each year, and you can assess those audit rates by income level. So, it is a very transparent way of being held accountable that the audit rate for people earning less than \$400,000 will not increase.

Ms. FOXX. So, you are guaranteeing that you will not increase the number of audits of people making less than \$400,000 a year?

Mr. WERFEL. That is my marching order to the IRS, and if we fall short of that, I will be held accountable for it, but we will publish those rates.

Ms. FOXX. I noticed before you said your "marching orders," and a little while ago you said you had control of the IRS. I am glad to know somebody in Federal Government feels that he or she has control of some agency, so we will come back to you with that. I am sure it is going to show up in the minutes that you are in control. Thank you.

Mr. WERFEL. Congresswoman, if you can indulge me, I just wanted to offer that a mentor of mine, Linda Combs, who is a constituent of yours, passed away recently.

Ms. FOXX. Yes, sir, I am aware.

Mr. WERFEL. Wonderful public servant. I know she looked up to you as a mentor as well, and I just wanted to thank you for mentoring her as she mentored me in my career.

Ms. FOXX. Well, what a nice thing for you to say, Mr. Werfel. Thank you. Linda was a very beloved person.

Mrs. MCCLAIN. Thank you. The Chair now recognizes the gentlelady from California, Ms. Porter.

[Chart]

Ms. PORTER. Washington spends a lot of time and energy scrutinizing how our Nation collects taxes. What do real Americans care about? They want their filings to be free, low effort, and mistake free. That is it. They want their filings to be free, low effort, and mistake free, and they want a good experience doing it. So, let us cut through the Washington noise and help people decide what tax filing method can get them there.

Commissioner Werfel, let us say someone wants to file their taxes the old-fashioned way, by hand. I used to think that was fun when I had more free time. Would that be a free way to file?

Mr. WERFEL. It would be.

Ms. PORTER. That would be free. I cannot get this marker off. All right. Yes. So that would be free. All right. How about low effort?

Mr. WERFEL. No.

Ms. PORTER. No, it is a lot of work.

Mr. WERFEL. Yes.

Ms. PORTER. You are going to read a bunch of documents. You got to try to—

Mr. WERFEL. Find—

Ms. PORTER [continuing]. Cross reference things.

Mr. WERFEL. Yes.

Ms. PORTER. Exactly. Do filers who use this method make minimum mistakes?

Mr. WERFEL. No, more mistakes.

Ms. PORTER. More mistakes?

Mr. WERFEL. Yes.

Ms. PORTER. I have made a mistake and had one of your correction notices. One out of 3, not too good. So, let us look at tax preparation software. This is a multibillion-dollar industry, as my colleague, Mr. Raskin, mentioned. Would that be a free way to file?

Mr. WERFEL. Generally, no.

Ms. PORTER. Generally, no. They sell you a lot of things along the way, audit defense and, you know, all these different programs and the extra help that you can get so that you——

Mr. WERFEL. The software itself costs money.

Ms. PORTER. Yes. It all costs money. Does that method involve low effort?

Mr. WERFEL. It depends, but it can.

Ms. PORTER. Yes, I think usually——

Mr. WERFEL. It is easier.

Ms. PORTER. Easier. All right. So, let us put a box there. And how about filers' mistake levels? How are mistakes using taxpayer prep?

Mr. WERFEL. Fewer mistakes because the software catches your mistakes in real time.

Ms. PORTER. Yes. All right. Let us look at accountants. Is that free?

Mr. WERFEL. Definitely not.

Ms. PORTER. Definitely not. All right. Does that involve low effort?

Mr. WERFEL. It is a higher effort for the accountant, but low effort for the taxpayer.

Ms. PORTER. Low effort for the taxpayer. We all hear the stories about people dropping off shoeboxes full of paperwork. Do they make minimum mistakes?

Mr. WERFEL. They do, although I would love to talk to you about holding them more accountable for some of the things they do, but they do make fewer mistakes.

Ms. PORTER. I would like to talk to you about that, too, and I noticed that in your testimony, so I will be following up, all right, but generally, fewer mistakes. All right. And let us look at IRS Direct File. This is a new option that you are rolling out in 2024, a pilot program, correct?

Mr. WERFEL. Correct.

Ms. PORTER. Will this be free?

Mr. WERFEL. Yes.

Ms. PORTER. Yes. Will this require a minimum amount of effort?

Mr. WERFEL. Yes.

Ms. PORTER. Will people have the benefits of eliminating common mistakes?

Mr. WERFEL. Yes, because we are going to follow the same structure as the tax prep softwares and catch mistakes in midstream.

Ms. PORTER. All right. Three for three. That is what I am talking about, and so I am glad that some Americans are going to have

this option the next time they file. But Commissioner Werfel, why is this just now becoming an option for taxpayers?

Mr. WERFEL. Well, you know, there is a long story here where we have tried a variety of different ways to get free electronic filing for eligible citizens. We have something called the Free File Alliance. It has had mixed results over the years where some of the software providers have offered free solutions, but Congress, in its wisdom, in the Inflation Reduction Act said to the IRS you need to study a direct solution. And, you know, frankly, I think it aligns with our mission to offer taxpayers more options.

I think it is absolutely important as you walk me through these questions that all of these still should be options for taxpayers, if they want to do it by hand, if they want to hire a tax prep software, if they want to go with an accountant, but should they also have the option to file direct with the IRS? They do not have to if they do not want to, but should they have the option? You can make the case that a high-functioning tax administration agency would offer that option.

Ms. PORTER. All right, and it is the one with the best of the criteria we identified. It is the winner, winner chicken dinner here. It looks like the best thing. Who could possibly oppose the IRS doing its job this effectively and making it free and streamlined and lowering the effort for people to pay their taxes? Who is on the other side against this?

Mr. WERFEL. I think there is a concern that if we issue a direct file solution, it will be disruptive to the software industry that point to—

Ms. PORTER. Disruptive to the software industry. You mean these industries right here that are making billions of dollars off taxpayers to simply assist taxpayers in doing something that they should be able to do by working directly with our government?

Mr. WERFEL. That is the concern that I have heard expressed, yes.

Ms. PORTER. Does the IRS have any profit incentive?

Mr. WERFEL. No.

Ms. PORTER. Do tax preps software companies have a profit incentive?

Mr. WERFEL. Yes.

Ms. PORTER. Do accountants have a profit incentive?

Mr. WERFEL. Yes.

Ms. PORTER. The only interest the IRS has is in providing an option that is free and easy and reduces mistakes for people to be able to file their taxes. So now lawmakers have a choice: we can support and invest in the IRS, whose mission is to do right by the taxpayers and who we can hold accountable for delivering a free, low-cost, mistake-free option, or we can stand with special interests, who want to see an underperforming IRS so that they can profit to the tunes of billions of dollars off taxpayers. I know where I stand, and I yield back.

Mrs. MCCLAIN. Thank you. The Chair now recognizes the gentleman from Minnesota, Mr. Grothman.

Mr. GROTHMAN. I was just explaining to people the other day how people from other states cannot tell the difference between Minnesota and Wisconsin. We are just alike. You got to say—

Mrs. MCCLAIN. My apologies.

Mr. GROTHMAN. It is OK. It is a nationwide problem. OK. I was just thinking, in China they invest in power plants, in education degrees. In America here, we invest in IRS auditors. A grim sign for the future. Just a general question, say between 2010 and 2023, about what percentage of returns were paper and what percent were computer filed? I mean, I take it every year that the gap shrinks. I am not going to politifact you.

Mr. WERFEL. We are up over 90 percent at this point that are filed electronically.

Mr. GROTHMAN. And do you know what it was 15 years ago?

Mr. WERFEL. It was a lot lower. I think it was closer to 50 percent.

Mr. GROTHMAN. Yes. So, when you go from 50 percent computer filed to 93 percent or something, you would expect to need less auditors, wouldn't you? I mean, there would be something wrong if you computerized to that degree and had the same number of auditors.

Mr. WERFEL. I think it depends on the complexity of the filing because some of the files that we receive electronically are thousands of pages long, and we are seeing a spike in the complexity of large multinational corporations.

Mr. GROTHMAN. OK. I will just rely on common sense. If we have more computerized returns, we would expect less IRS auditors. That is why we encourage people to file electronically, but we will go on to something else.

I have had clients feel that political activity on their part leads to audits. I do not know whether that is true or not. We have talked on the Oversight Committee about the politicization of the FBI. I wonder, have you guys ever done a study? We do not do it in Wisconsin, but other states, people register Republican, Democrat. Is your employee pool about 50/50, or are we tilting too much toward one political belief? Do you have any idea?

Mr. WERFEL. We absolutely do not ask that question. I think it would be inappropriate for us to ask that of our staff. We do make it clear that it is fundamental value of the IRS that politics has no place in our operations or our decision-making.

Mr. GROTHMAN. OK. Next question. We talk about wealthy people not paying taxes, we got to look into it, and sometimes they do not pay taxes because of foolish public policy decisions made by the people up here. I am thinking things like a tax credit for a fancy electric vehicle or Section 42 tax credits for wildly wealthy builders. Could you give us an idea of why wealthy people may not be paying taxes?

Mr. WERFEL. I think we see two trends. One is what I will call very aggressive avoidance, where they are looking for the best tax advantaged status, but because we have not been on an appropriate watch, they have pushed too far into the gray area and need to be pulled back. And the second is intentional: intentional evasion, moving money into offshore—

Mr. GROTHMAN. You think usually when wealthy people put a zero at the bottom of their tax return, they did something wrong?

Mr. WERFEL. Certainly not in every case. I would imagine in most cases, no, but the number—

Mr. GROTHMAN. Well, why do not you look into it or do a study of people, I do not know, people who would appear to have a lot of wealth who are not paying taxes and let us know why? What type of tax—

Mr. WERFEL. There have been studies done. I am happy to share some with you.

Mr. GROTHMAN. Good, good, good, good. Now, the next question. The Inspector General reports that the IRS erroneously issued \$3.3 million advance child tax credits to 1.5 million ineligible Americans. Can you explain how this happened, and if you also explain to us why one-for-one tax credits invite cheating?

Mr. WERFEL. Yes. There is always program integrity challenges with any Federal program where you are outlaying money to beneficiaries. Unfortunately, there are many who would look to exploit the complexity of our tax system, either for their own financial advantage or victimize someone along the way. It is stealing of credit. It is a problem.

Mr. GROTHMAN. I am sorry. Dollar-for-dollar credits, things like earned income tax credit, child tax credit, it is so easy to cheat and make a lot of money, right? Isn't that the problem with those things?

Mr. WERFEL. The one clarification I would offer is that a large amount of the error is more basic mistakes because of how complicated it is to apply for it, but there is a part of the error which is concerning. It is a small part, but it is a concerning part, which is intentional fraud.

Mr. GROTHMAN. OK. We will go over another one. If they are not going to stop me. Did the IRS see more child tax credit claims filed after the American Rescue Plan made an increase in the child tax credit? Did the number of claims go up?

Mr. WERFEL. I am not sure. I would have to get back to you on that.

Mr. GROTHMAN. OK. Be illuminating if they are. The IRS reported as of July 31—well, I will turn it back over to my substitute Chairman here.

Mr. SESSIONS.

[Presiding.] The distinguished gentleman from Wisconsin yields back his time. The gentleman from Florida, Mr. Frost, is recognized for 5 minutes.

Mr. FROST. Thank you, Mr. Chair, and thank you to our witnesses for being here.

Republicans have spent more than a decade working to kneecap the IRS through funding cut after funding cut. At the same time, Congress has tasked the Agency with enforcing one of the most complex tax codes in the world on a growing population with increasing wealth inequality. The IRS has struggled for years to provide the level of service taxpayers deserves, whether that was processing people's tax refunds in a timely manner, performing audits against high-risk individuals, or enforcing tax law against fraudsters and those who made false business statements in order to get loans. The Agency struggles with customer service in several ways, but two that I am especially concerned about are the old IT systems that cannot digitize IRS forms and then the IT modernization blunders.

Ms. Lucas-Judy, earlier this year, the Government Accountability Office, GAO, found that the IRS still uses massively outdated IT systems. How do these systems impact the taxpayers?

Ms. LUCAS-JUDY. Well, their legacy IT systems are at the heart of a lot of IRS operations on customer service side, on returns processing and accounts management, as well as enforcement, and so it is very important, and that also has an effect on accuracy and on speed of processing. So, it is very important that IRS have be able to implement its plans and prioritize the different modernization initiatives that it has in place, and that it be clear about the goals and the timelines and progress.

Mr. FROST. So, it seems like it also contributes to security risks, unmet mission needs, and staffing issues, and increased cost, correct?

Ms. LUCAS-JUDY. Correct.

Mr. FROST. You know, in May, one of my constituents reached out because she had waited for more than 6 months for her tax return which she desperately needed to pay rent. She was told that it would be 120 days, and then it was 60 days, and then she had to wait for a letter, and then she got the letter, and the letter said she would have to wait for a year. The IRS is operated with more than 600 legacy systems, including the Individual Master File, a 60-year old system, and the software written is written in a coding language that they do not even teach in schools anymore. This is one of the most central systems for tax processing.

The IRS has set a goal to retire the Individual Master File between 2027 and 2029. Mr. Commissioner, what is the importance of the IRS meeting this retirement goal for that system, and does the IRS have the funding it needs to stay on track with that really important goal?

Mr. WERFEL. Yes, I am really glad. It is such an essential part of what I have been talking about. I have been mentioning, like, we are laying the bricks of a foundation to improve customer service. That Individual Master File is kind of the engine. It is the infrastructure. So, the example I often give is if you left here and went to the ATM machine and took out money, by the time you got home and logged onto your online bank account, it already knows you took money out, but that is not true in the IRS. It takes us time to process that information and move it into an online account, and that old system that is written on COBOL cannot move or communicate quickly enough with that online solution.

Not only do we need to do it to move to the cloud and move to a smarter and more manageable architecture, it is also going to be more secure. It is a keystone for a lot of the efforts, and we do have some good news. The good news is in April, so after this filing season, we are going to turn on that modern system for the first time, and we are going to run it in parallel with our legacy system, work out any kinks, and hopefully get it up and running in filing season 2025. So, we are making progress.

Do we have enough money? I am glad you asked. We have a modernization budget. As people have pointed out, it is currently at \$60 billion, and it is very, very large and very, very impactful. The issue, however, is our base budget, our annual budget to run the trains every day, and that has been underfunded and is still

underfunded. And in order to run those trains, we have to borrow from the modernization budget to pay for the base budget, and as we do that, we raid the modernization budget and then we might not have enough money. So, the answer your question is we have enough money. As long as Congress appropriates our base budget, gives us enough money to run the daily train schedules, then we have enough money to get our job done.

Mr. FROST. Mr. Commissioner, how will these efforts that we have just spoken about improve the 2024 filing season for the people of Central Florida but also across the entire country?

Mr. WERFEL. Well, as I said earlier, my goal is that the improvements we are making are visible and can be felt by taxpayers because when they come to us in January to April to pay their taxes, we are making specific improvements. So, we are changing things for filing season 2024. For example, we are replacing old scanner and processing equipment, so we will be scanning more and processing paper more quickly. We have made changes to the online accounts, added more functionality to the individual online accounts. We have updated and are redesigning our notices so they are easier to read, easier to follow, more plain language. We are enhancing our outreach on tax scams. All of that happening in filing season 2024 and then a whole host of additional incremental improvements in filing season 2025.

The idea is to each year get better and better, and where I see opportunities to accelerate, I will push for acceleration. The goal is to do things for taxpayers as quickly as possible, but as safely as possible.

Mr. FROST. Thank you so much. My constituents cannot afford to wait a long time to get their tax returns, and I think it is more that every Member on this Committee be on the same page. We cannot defund the IRS. We need to modernize it. I also want to end by thanking all the hardworking Federal employees at the IRS who are serving their country. Thank you, and I yield back.

Mr. SESSIONS. The gentleman yields back his time. Thank you very much. The gentleman from South Carolina, Mr. Fry, is recognized for 5 minutes.

Mr. FRY. Thank you, Mr. Chairman. Part of the IRS' duty is to ensure that taxpayers are treated fairly, are informed, receive quality service, and are ensured the protection of their privacy and confidentiality. I understand this is an important role for any agency to play. However, there are serious instances in which preventative measures failed against cyberattacks or tax information was mishandled, resulting in needless and very expensive damages to the American taxpayers. Since 2010, the GAO has made over 450 recommendations aimed at strengthening the safeguards for taxpayer information and access to tax processing systems.

Director, I want to start by asking you, how many open GAO recommendations are there with the IRS currently?

Ms. LUCAS-JUDY. Well, as I mentioned in my statement, they have implemented about 85 percent of the recommendations. There are others that are still open, and some of the ones that are key include 40 recommendations from our financial statement audit related to information systems security.

Mr. FRY. And related to some of those 40, what are most of them about?

Ms. LUCAS-JUDY. It is a range of different topics. Some of them have to do with identifying threats and being sure that it has systems in place for that, understanding and managing the risks to systems and the supply chain capabilities. There are some around protecting information as well as detecting breaches.

Mr. FRY. How many recommendations have been given to the IRS since the appointment of Commissioner Werfel?

Ms. LUCAS-JUDY. That I would have to get back to you on.

Mr. FRY. OK. In July of this year, the GAO sent a letter to Commissioner Werfel that encouraged Congress to hold hearings focused on the IRS' progress and withhold funds when appropriate and/or provide incentives. Director, are you concerned with the IRS' ability to keep pace with the GAO recommendations?

Ms. LUCAS-JUDY. Certainly, it is an ongoing conversation between GAO and IRS. We do have a rigorous follow-up process, and we have seen progress, particularly on those recommendations that we have identified as being related to the enforcement of tax laws, that high-risk area, and those that our Agency has designated as priorities. But there are others that are still remaining open including things about making sure that it has—excuse me, that it could be able to communicate information about the correspondence backlog; that it has a human capital strategy in place, as I mentioned in my opening remarks; that on the security side, that it is adequately protecting information; that it has got centralized monitoring of contractors who have access to taxpayer information; and that employees who oversee contractors know how to report if they see a breach.

Mr. FRY. Thank you, Commissioner. Your website states that the IRS stops “most fraudulent tax returns.” When a fraud is suspected, the IRS will contact you via email with instructions. How long does it take for the IRS to identify fraud after a Form 14039 is submitted?

Mr. WERFEL. I unfortunately have to answer in this way: it depends. I mean, sometimes we can see just with what is submitted. We will run an algorithm, and we will say something is very, very off, and we will say there is a fraud situation. Sometimes someone will call with a tip into the tip line. Sometimes the GAO or the Inspector General will point something out to us that lets us know there is fraud. So, there are a variety of different ways in which it manifests itself, so there is no set time.

Mr. FRY. Are you able to say whether that rate has increased under your watch or not?

Mr. WERFEL. It is too early to tell 7 months in. What I am trying to do right now is make sure that we are spending our money smartly on investments to improve fraud detection.

Mr. FRY. Great. Commissioner, taking it to a different tack here. Has the IRS entered into any MOUs or any other agreement with the Treasury Department or the CFPB for the purpose of sharing consumer-level transaction data?

Mr. WERFEL. Not that I am aware of. I would have to get back to you on that.

Mr. FRY. So, you are not aware of any MOUs or other agreements?

Mr. WERFEL. Not at my fingertips. I am not aware of that.

Mr. FRY. When do you think that you could get back to us on that?

Mr. WERFEL. By tomorrow I will let you know.

Mr. FRY. So, by tomorrow. And if there are any MOUs or other agreements, could you provide copies of those by tomorrow?

Mr. WERFEL. As long as I am authorized to do so, yes.

Mr. FRY. Great.

Mr. FRY. Mr. Chairman, with that I yield back. Thank you.

Mr. SESSIONS. The gentleman yields back his time. Thank you very much. We now go to the gentlewoman from Pennsylvania, Ms. Lee, recognized for 5 minutes.

Ms. LEE. Thank you, Mr. Chair. To get to the core of what a nation values, all one would need to do is look at what its government encourages in tax credits and deductions, what it penalizes, and who it decides to audit. Unfortunately, the biases and inequities embedded in our institutions in history pervade much of the present-day United States Tax Code. Earlier this year, researchers at Stanford Institute for Economic and Policy Research released a study showing how our tax system disproportionately targets Black families. These researchers found that Black taxpayers were nearly three to five times more likely to be audited than non-Black taxpayers.

Chair, I ask unanimous consent to enter this study into the record.

Mr. SESSIONS. Without objection.

Ms. LEE. The shocking thing about this report is that although IRS does not ask about race when a taxpayer is filing an individual tax return, IRS' automated selection system disproportionately selects Black taxpayers for audits. GAO has been looking into how IRS can better understand how tax provisions can affect individuals and families differently based on their race or ethnicity or their sex. Ms. Lucas-Judy, can you tell me about what the Government Accountability Office has discovered thus far?

Ms. LUCAS-JUDY. So, we have ongoing work looking at audit rates and audit selection and equity in audit issues, and that is something that we will be issuing a report later this year or early next year. But as far as the information that is available to IRS or Treasury or others to be able to look at the potential disparities by race more broadly, we have recommended that Congress help facilitate information sharing between Treasury and Census and others to be able to do studies on inequities, and also that Treasury consider things other than imputation models to be able to do some of those studies.

Ms. LEE. Thank you. The racial disparity in audit rates is unacceptable, especially when IRS has chronically de-prioritized audits on the wealthiest Americans. The number of people with incomes of \$1 million has jumped 50 percent over the last decade, yet audits on millionaires has dropped by 92 percent in the last 10 years. And in 2021, a team of academic economists and IRS researchers found that the top 1 percent of U.S. income earners fail to report more than 20 percent of their earnings to the IRS. Ms. Lucas-Judy, GAO

is planning to conduct more audit work on this topic. Is that correct?

Ms. LUCAS-JUDY. That is correct.

Ms. LEE. Commissioner Werfel, what data and evidence are you tracking to demonstrate equity as a priority at the IRS?

Mr. WERFEL. At first, Congresswoman, I want to acknowledge how important the question yours is raising.

Mr. CONNOLLY. Mr. Werfel, could you move the mic closer? Thank you.

Mr. WERFEL. First, I want to acknowledge how important your question is. Second, I want to acknowledge that our approach for case selection for refundable credits was racially biased, and we must change it. We have taken the immediate step of significantly reducing the number of audits of refundable credits and shifting that emphasis to high-end tax evasion. And we have also begun making changes to our case selection algorithms to refundable credits to promote equity against all demographics, and we stated publicly that we will be providing updates on how this is playing out. We are working with a variety of different external stakeholder groups, continuing to work with the researchers at Stanford. I am very motivated and very inspired to get this right.

Ms. LEE. Thank you. What would you say makes auditing these top earners so much more difficult?

Mr. WERFEL. Those audits are very complicated. The financial structures are complicated. They hire lots of outside consultants, lawyers, accountants. They litigate. These things take a long time, and unfortunately, as we have been talking about, in the 12 years that predated the Inflation Reduction Act, we were not making the appropriate investments to keep up. Think about how different the world is in 2023 versus 2010 when our budget cuts started: cryptocurrency, you know, more international globalization of movement of funds. During that time, it became easier for wealthy individuals and organizations to work to shield their income. We have some catching up to do.

Ms. LEE. Thank you. President Biden issued his first executive order to direct Federal agencies to examine their policies and actions and how they may create or perpetuate, however unintentionally, outcomes that are barriers to equal opportunity. Commissioner Werfel, I am pleased to see that IRS is taking this issue seriously. Earlier this year, you wrote a letter to our Senate colleagues assuring them that you take the racial tax gap seriously. You have already mentioned some of the steps that you all have taken, and I appreciate you sharing that for the record. And I look forward to continuing working with you and with my colleagues here in Congress to ensure our tax system is fair and equitable for all Americans, and not just the wealthy elite. I yield back. Thank you.

Mr. SESSIONS. The gentlewoman yields back her time. The distinguished gentleman from Virginia, Mr. Connolly, is recognized for 5 minutes.

Mr. CONNOLLY. I thank the Chair. Mr. Werfel, welcome back. Great to see you. Ms. Lucas-Judy, what happened to the IRS budget between 2011 and 2019?

Ms. LUCAS-JUDY. Overall, the budget was decreased.

Mr. CONNOLLY. Can you be a little more specific, by a dollar?

Ms. LUCAS-JUDY. It went down significantly during that time. I do not have the numbers in front of me. I apologize.

Mr. CONNOLLY. Commissioner Werfel, perhaps you have that number?

Mr. WERFEL. Yes. In real terms, it went down roughly 20 to 25 percent.

Mr. CONNOLLY. Twenty to 25 percent. Did that have any relationship at all in terms of the operational performance and capability of the IRS in that 8-year time period?

Mr. WERFEL. It had a significant impact.

Mr. CONNOLLY. Like in auditing?

Mr. WERFEL. Every dimension of our operation suffered from the lack of resources.

Mr. CONNOLLY. Customer service?

Mr. WERFEL. Yes.

Mr. CONNOLLY. Processing of refunds?

Mr. WERFEL. Yes.

Mr. CONNOLLY. So, Ms. Lucas-Judy, it seems to me if GAO wants to come here and testify about recommendations and compliance of the IRS, you want to take cognizance and be more specific in your awareness of what happened in an 8-year period and, by the way, all of it generated by this Congress. The very people who are here complaining about customer service do not want to mention that many of them or their predecessors voted for stringent cuts in the IRS, including their ability to replace legacy systems and IT, including ignoring—in fact, welcoming—the fact that there were fewer audits because their friends were not audited. And it just seems to me we cannot be here and pretend history began with this Administration or this IRS Commissioner.

Mr. Werfel, we have had testimony from your predecessors about money left on the table, money owed to the Federal Government in legitimate taxes but not collected because of this capability problem you described. We have usually used the figure, it is as high as \$450 billion a year. Your immediate predecessor, appointed by then President Trump, actually said it could be as high as \$1 trillion. What is the number you operate with in terms of money owed the Federal Government but not collected every year?

Mr. WERFEL. Yes. So, the latest information we have is that the gap that you are describing is about \$540 billion.

Mr. CONNOLLY. OK. Let us take that figure.

Mr. WERFEL. OK.

Mr. CONNOLLY. Now, help me with math. You must be good at math because you are the IRS Commissioner, \$540 billion a year, let us say. Let us take that out, as we often do, times 10 years. What is that number?

Mr. WERFEL. Five-point-four trillion.

Mr. CONNOLLY. Could that reduce the deficit significantly?

Mr. WERFEL. Yes.

Mr. CONNOLLY. So, you think people who are deficit hawks might want to, before we talk about raising taxes, just make sure everyone who owes money to the IRS pays it, and, therefore, we need the IRS to have that capability. Would that be a sensible proposition, Ms. Lucas? Ms. Lucas-Judy. Excuse me.

Ms. LUCAS-JUDY. Thank you. Now they are recommendations. We are hoping that IRS can work them into its strategic operating plan because we think it is important now that it does have the additional funding that it has now this opportunity to address some of these longstanding challenges in customer service, in IT modernization.

Mr. CONNOLLY. GAO does a great job of presenting every year high-risk categories to Congress, and one of which, by the way, is legacy systems and IT modernization, which I took up and worked very closely with the head of GAO to try to address that. And I think we have gotten pretty high marks to doing that, although IRS remains a case in point where we have lots of progress to make. Shouldn't the fact that IRS itself now estimates it is over \$0.5 trillion a year left on the table uncollected, shouldn't that be a high priority for you and for us?

Ms. LUCAS-JUDY. It is definitely a high priority.

Mr. CONNOLLY. A high priority. Well, let me just say, Commissioner Werfel, I want to work with you, and I hope this Committee wants to work with you. We can talk about tax cheats, but every American—if we are going to have voluntary compliance at the high rate we continue to have in America, it has got to be perceived as a fair system, that what is asked of me is also asked of him or her. And we have got to come up with concrete plans to bring that number down as close to zero as possible. And I am a Democrat willing to even say every one of those \$540 billion ought to be first used for deficit reduction because it is money we do not have anyhow, so it is not a zero-sum game. But we have got to do something about this, and the reason we have not been able to is because of the deterioration we consciously allowed and voted for.

And final question. Speaking of resources, was your budget reduced in the debt ceiling agreement that was achieved a few months ago?

Mr. WERFEL. Yes. The modernization budget was reduced by \$21 billion.

Mr. CONNOLLY. I am sorry. What did you say?

Mr. WERFEL. Twenty-one-billion-dollar reduction.

Mr. CONNOLLY. So here we are talking about your ability and inability and foibles and flaws and mistakes, and we cut your budget, again, by \$21 billion. Is that your testimony?

Mr. WERFEL. That is.

Mr. CONNOLLY. I thank the Chair.

Mr. SESSIONS. The gentleman yields back his time. The gentleman, Ms. Crockett, is recognized for 5 minutes.

Ms. CROCKETT. Thank you so much. I am going to pick up right where Representative Connolly left off. Out of curiosity, do either one of you know the definition of "insanity?"

Mr. WERFEL. I think you are referring to doing the same thing over and over again and expecting a different result.

Ms. CROCKETT. OK. That is exactly what I was referring to, and it sounds like that is what this party is good at, but I want to talk about the theme of the day. Commissioner, you have said over and over and over the word "complicated." I was not keeping a tally, but you said it a lot, so I want to work with this word a little bit.

I have a list of items. I would like for you to let me know if you believe they are complicated or not. Tax returns?

Mr. WERFEL. Complicated.

Ms. CROCKETT. Operating the IRS without proper investment?

Mr. WERFEL. Complicated.

Ms. CROCKETT. Recruiting workers in this antagonistic environment?

Mr. WERFEL. Complicated.

Ms. CROCKETT. Auditing millionaires and billionaires?

Mr. WERFEL. Complicated.

Ms. CROCKETT. OK. So, it sounds like you have got a complicated job?

Mr. WERFEL. I do.

Ms. CROCKETT. And it also sounds like you have to know something about math. My colleague brought that up as well. It sounds like you need to be at least somewhat decent at counting to be with IRS. Yes, you would agree?

Mr. WERFEL. Yes, I agree.

Ms. CROCKETT. OK. You know, it is so weird because my colleagues on the other side of the aisle wanted to call this hearing. This is not our first. It is not our second. I have actually lost count myself of how many IRS hearings we are having, and they seemingly feel like they can fix your very complicated issues, but somehow they are not good at simple math, simple math that would get them to a Speaker, you know, right? So, we have been 3 weeks without one.

Let me ask you another question that may be another one of these when the math ain't mathin' situations. There was a looming government shutdown a few weeks ago, and interestingly enough, when I do the math, approximately a little bit more than 60 percent of the people that sit on this Committee actually voted to shut us down. Now, out of curiosity for everyone that claims to care about their constituents, do you think it is easier or more difficult to operate as the IRS when, say, there is a shutdown?

Mr. WERFEL. It is very disruptive to our operation.

Ms. CROCKETT. Very disruptive. Let me give you another number that is very concerning to me. That number is 24. Twenty-four represents the number of days that we have before the continuing resolution that 60 percent of, and when I say my colleagues, I am talking about across the aisle, not on this side. We were about at 100 percent. Actually, we were 100 percent on this Committee that voted to make sure that the government did not shut down. But if in 24 days we do not have a Speaker because they cannot figure out their math and we shut down, is that going to help you answer more phone calls or less phone calls?

Mr. WERFEL. A lot less.

Ms. CROCKETT. OK. All right. So, it sounds like we have a lot of performative politics that is taking place because yet another number that was mentioned, and I believe you brought this number up, was \$540 billion. You also talked about appropriations, and I want to be clear about this \$540 billion. This \$540 billion is a net number, correct? This is not a net zero. Like, it is going to cost \$540 to go get it, and that is how much we are going to get. We are talking about netting \$540 billion, correct?

Mr. WERFEL. It is \$540 billion—I would say we are on track under current course and speed to get about \$70 back, so our hope is we will be at \$470, but yes, it is \$470 billion, which is what is owed versus what is paid.

Ms. CROCKETT. OK. Very good. How is it that the American people should believe that the Majority party has the ability to solve your complex issues when, No. 1, they do not pay attention to history, which was defunding this organization has not helped their constituents but hurt their constituents, and let me add to that. The last time I checked, America is growing. So, you were defunding your organization as we were ending up with more people, which means that you have more work, correct?

Mr. WERFEL. Correct. More population, more filers, more changes to the Tax Code, and more complexity in how the economy operates. 2010 when our budget reduction started, we never heard of PayPal, Venmo, all these, you know, payment platforms. The gig economy changes, and it is great, but we have to invest and be ready to be effective tax administrators as the world changes. That is why it is important to keep our funding at pace.

Ms. CROCKETT. I agree, and as the child of an IRS worker, I absolutely want to thank you for what you do, and obviously, I always must send love to my mama. I thank her for what she does for the American people as well. I will yield back.

Mr. SESSIONS. The gentlewoman yields back time. The distinguished gentleman from South Carolina, Mr. Timmons, is recognized for 5 minutes.

Mr. TIMMONS. Thank you, Mr. Chairman. It has been over a month since the House Oversight Committee launched our impeachment inquiry into the Biden family's domestic international business dealings to determine whether these activities compromised U.S. national security and, more importantly, President Biden's ability to lead. We have documented over \$20 million in payments to Bidens from fees from Ukraine, from Romania, from China, list goes on. There have also been many whistleblowers alleging improprieties on behalf of Federal Government, what seems to be a two-tiered system of justice.

So, this Committee's investigation is doing the job that the DOJ, IRS, and FBI were supposed to be doing. We initially were told there was no communication between President Biden and Hunter Biden about Hunter's business dealings. That was later determined to be false. Then we were told President Biden never communicated with Hunter Biden's business associates. That was determined to be false. Then we were told that President Biden did communicate with Hunter Biden's business associates, but it was only about the weather—that was probably my favorite one—also later determined to be false.

Then we were told that President Biden may have communicated with Hunter Biden, Hunter Biden's business associates, and discussed business on multiple occasions, but President Biden never received a benefit. He said, "Show me the money," and we recently have direct evidence of a \$200,000 payment from Jim Biden to his brother, Joe, but this is the new one: that is just a loan repayment. And as the White House seeks to continue feeding the American people a narrative that the President has done nothing wrong, per-

haps a little advice: give this Committee the loan documents, show us the interest rates, and provide evidence that \$200,000 was transferred from President Biden to Jim Biden in the preceding months or years. Document this alleged offense. And if you can do that, then help us understand how it is ethical, legal, or at all appropriate for the President's brother to leverage the President's influence to get hundreds of thousands of dollars from a distressed company while dangling a possible bailout for a Middle Eastern investor.

As the White House tries to show the American people that the President did nothing wrong, do not forget that the Oversight Committee has received thousands and thousands of pages of bank records and fully expect thousands more as we uncover even more and more nefarious activities. This payment is the first of what I anticipate will be millions of dollars to the President.

So now, to Commissioner Werfel, I simply have one question for you. Do you promise to act in a non-partisan manner, pursue justice, no matter where it takes you?

Mr. WERFEL. I do.

Mr. TIMMONS. Thank you. But between the Lois Lerner scandal and multiple whistleblowers alleging improprieties within the IRS, it seems we have a problem, and we need to restore the American people's faith in our institutions. The Oversight Committee is doing the job that the DOJ, IRS, and FBI refused to do as it relates to Hunter and Jim Biden and possibly President Biden's activities, and we will continue to move forward, but we need your help to restore faith in our institutions. And with that, Mr. Chairman, I yield back.

Mr. SESSIONS. The gentleman yields back his time. Thank you very much. The gentleman from California, Mr. Garcia, is recognized for 5 minutes.

Mr. GARCIA. Thank you, Mr. Chairman. Thank you to our witnesses, Administrator Werfel, I also want to just, if you can pass along my thanks to everyone at the Agency, especially the Taxpayer Advocate Service. My team back home has just been really impressed with working with the team and really dedicated servants. I know it is not always an easy job.

Just recently, a constituent of mine from the city of Huntington Park—her name was Maritza—she had reached out because of identity theft issues, had not received tax returns in 2021 or 2022. We worked with your office and the Taxpayer Advocate Service and were able to secure over \$16,000 back to her, and this is a story that we hear over and over again in our office. And so that would not be possible without the team of workers that you have, and so I just want to thank you and remind folks that, yes, this is a hard business, but there are people working really hard to get folks their earned dollars back. So, thank you for that.

Now, I am glad that we are having this hearing, and I know that the IRS obviously oftentimes faces a very difficult task. But we all know that the work you all do is very necessary, and we should all want every government agency to be as efficient as possible and work as effectively as possible. A better IRS means better customer service, means better refunds. It means a better economy. I think everyone recognizes this, and obviously, when Congress passes a

law, we should also be enforcing it. Enforcement is so important. It is something that I was very focused on when I was Mayor of Long Beach just before I got here about a year ago and enforcing matters in the IRS.

Now, I am very glad that Congress and President Biden came together to fund the IRS Enforcement Division, especially to go after the very wealthy tax cheats that are very regular and very regularly are not paying their fair share in this country. The very rich should pay their fair share. If they do, we can reduce the deficit and inflation and fund better services that would all lead to this. And it is also very unfair, of course, the very rich, billionaires and millionaires cheat on their taxes and get away with it.

[Chart]

Mr. GARCIA. So, I want to just point this out here in this poster, and I think we have been discussing this a little bit throughout the hearing. This goes to show you the IRS enforcement how depleted we have become just over between 2010 and 2018 in the enforcers budget, enforcement personnel, the overall audit rate. I mean, you see the impact that this can have on an Agency. Now, Administrator Werfel, can you confirm that between 2010 and 2020, IRS enforcement funding was cut by 24 percent in inflation-adjusted terms?

Mr. WERFEL. That sounds right.

Mr. GARCIA. And I know the Majority has made a lot of comments today, but this has also been a House Majority that has decided to actively work against the IRS and work against additional funding, and this chart shows the impact that this has had. Now, the audit rate for the largest corporations and millionaires has plummeted, and this is who the Majority, I believe, is working overtime to protect. It is to protect billionaires and millionaires who are cheating on their taxes, not working-class people and middle-class folks. And so, this chart should be of concern to the Agency, but it certainly should be a concern to the American public.

Now, Administrator, is it correct also that the tax gap, which is the amount of taxes that are owed but not paid, comes to nearly \$7 trillion just over the last decade?

Mr. WERFEL. Yes.

Mr. GARCIA. And more than a quarter of that comes from the top one percent bracket. Is that right?

Mr. WERFEL. I have very specific numbers on that. You know, for example and what I just mentioned, individuals that earn more than \$500,000 associate with \$40 billion of the tax gap, and that is just from under reporting, and then when you add in under-payments, it is another \$150 billion. So, you are roughly at about \$200 billion for just those individuals who earn more than \$500,000.

Mr. GARCIA. Well, thank you for that. Now, the IRS investments are expected to raise \$124 billion. That is because IRS could not hire the tax experts who can catch wealthy tax cheats, but now, of course, they can, and we need to be able to do to do more.

Now, President Biden has promised to grow the economy from the middle out and the bottom up, not the top down. We need to take on tax cheats, especially those at the very top. Lowering the deficit is good. Taxing the very wealthy and the rich is good. And ensuring that people pay their fair share of what they owe the gov-

ernment for the basic services that we all depend on as a country is also very important. I want to thank all of my colleagues for having this hearing. I want to thank both of you for your work, and I look forward to continuing ensuring that the very wealthy in this country pay their fair share. I yield back.

Mr. SESSIONS. The gentleman yields back his time. Commissioner, there was a conversation with a Member about how the IRS looked at, perhaps identified, but treated people who may be of color. Do you gain information about people and their ethnicity or their race?

Mr. WERFEL. We do not collect that information, no.

Mr. SESSIONS. Then why would you have responded that you look at that and made decisions from that?

Mr. WERFEL. That is not my testimony.

Mr. SESSIONS. What is your testimony?

Mr. WERFEL. My testimony is that the research group from Stanford University, using what is called imputed identifiers of race because we have no race data in terms of the taxpayers, identified not a disparate treatment, but a disparate impact, basically saying that, on average, our audit algorithms are having the unintended consequence of having Black families at a higher audit rate than non-Black families. And this is an analysis where you are not using actual race data. You are using what is called imputed race data, so we do not collect race data and we do not plan to.

Mr. SESSIONS. So, you have made changes as a result of this information—

Mr. WERFEL. Yes. The role is to adjust the approach, and then working either internally or with external stakeholders, again using an imputed race methodology, ensure that any efforts that the IRS is undertaking in audit are fair across all demographics, not just race.

Mr. SESSIONS. So, fair, if you are applying the law as it were, and you did not know whether someone, their ethnicity, their race, you changed how you look at the law based upon some consideration.

Mr. WERFEL. I think we have a responsibility to do all of our operations in a non-biased way. There should be no disparate impact or treatment based on political affiliation, race, age.

Mr. SESSIONS. But you were following the law.

Mr. WERFEL. Right. And so, in following the law, I think our responsibility under the law is to make sure that IRS operations are carried out without a disparate impact on any particular minority population or political group, and so the type of study that Stanford did is helpful. It basically gives us an outside-in perspective and says we have studied it. We do not have the race information, but we are able to impute race, and I think the Congresswoman entered the report into evidence, and so the methodology of how they imputed race is in the report.

We looked at it and we said, yes, based on this analysis, we agree that the way we are selecting cases for audit is having a disparate impact. That would not be consistent with what we believe our responsibilities under the law are, which is to implement the tax code as fairly as possible across all demographics. And so, we

are making changes in the hopes that the next time this is tested, that the disparate impact no longer exists.

Mr. SESSIONS. I find it very interesting. Now, we will look at that because it seems like it is a threshold by which you would look at people. Is that more generally specifically correct?

Mr. WERFEL. I do not think so. I mean, the first big step that we took was to just reduce the volume of audits for refundable credits, not related to any demographic, just a specific cut in volume because the researchers, and in that Stanford report that is now in evidence, indicate—

Mr. SESSIONS. What would that figure be then? You went from this to what?

Mr. WERFEL. I can get you that data.

Mr. SESSIONS. I am interested in that—

Mr. WERFEL. Yes.

Mr. SESSIONS [continuing]. Because I want to be realistic that I think you are entitled to set thresholds, and I want to be realistic about what the numbers are. I do not want us to find a way to where we might be discriminating or discriminatory, but I would be interested in what those threshold numbers were and what you have changed them to.

Mr. SESSIONS. On behalf of this Subcommittee, as the Chairman and the Ranking Member, Mfume, we want to thank both of you for taking time to be with us today. I want to thank you for taking time to speak with me the other day. I told you that we would try and be fair. I told you we would probably be prompt. I did not know that we were going to get off like this, but I just want you to know that I appreciate what you have done in taking the time here, and also from the GAO.

Does the distinguished Ranking Member have any comments that he would like to make? The distinguished gentleman is recognized.

Mr. MFUME. Thank you very, very much. Mr. Chairman, I want to thank you for your guidance on this issue as we have spent a lot of time talking and trying to figure out a bipartisan method to get us to these hearings so that we could receive this testimony and have an opportunity to go over it as we both want to, I think without a doubt, make sure that going forward, the IRS is more effective, not less effective. And while all Members here have an opinion, it is really up to this Committee to set the example. And, Mr. Commissioner, I said before you have got a tough job. You really, really do. There are no silver linings, no magical bullets, and nothing else that is going to set this where we all want it to be on the right track, except hard work and dogged oversight. We do our oversight here, and we expect that you will do dogged oversight in your role.

I can tell you that the last 7 months that you have been there have been very, very encouraging, and we hope that the information provided by GAO, which are not touchpoints but guideposts, will be taken seriously, but not only that, but reviewed periodically with GAO to find out if in fact things are indeed working. It is a tough road to hoe, but somebody has got to do it, and it looks like you are it, sir, because we recognize we cannot do without the IRS in this country. And yet, we all know that we want it to be better

each and every year, and one of the ways to do that is to make sure that it is properly funded to be able to do those sort of things.

It has been on the record for some time now that IRS has improved customer service to our constituents. We all know it is not perfect. We still get those phone calls in our offices. Our staff still have worked for months and months and work at trying to mildly satisfy and bring about resolution in cases, but I am glad to report that it is getting better. IRS is opening both permanent and pop-up taxpayer assistance centers to help communities, and trust me, sir, those are very, very needed. A lot of people do not know where to turn. They want to do the right thing by compliance and complying with the law, but they just need, in this instance, a helping hand.

So, I, you know, look forward to talking more with the Chair about this. We really believe that as the oversight body here, it is our function but, more importantly, our duty to try to find a way to get answers and to provide the larger American public with one sense and some sense, that there is continuity here, but that there is also cooperation here as we try to move forward.

Mr. Chairman, I have a couple of unanimous consent requests that I would like to read into the record. I would ask unanimous consent to enter into the record this letter that is dated July 19, 2023, from a coalition of more than 200 national, state, and local organizations, and research organizations, including Texas Area United Way, RAISE Texas, Unitarian Universalist Fellowship of Hidalgo County, Texas, and the Michigan League for Public Policy to the IRS commissioner in support of the IRS Free File Program.

Mr. SESSIONS. Without objection.

Mr. MFUME. I would also ask unanimous consent to enter into the record a Treasury Department press release entitled, "Filing Season 2023, A Report Card: IRS Delivered Significantly Improved Customer Service," and the IRS' Strategic Operating Plan for 2023 to 2031, which outlines the organization's plans for implementing the \$80 billion coming from the Inflation Reduction Act.

Mr. SESSIONS. Without objection.

Mr. MFUME. And finally, Mr. Chairman, I would ask unanimous consent to enter into the record a statement from former taxpayer advocate, Nina Olson, and accompanying letter dated June 21 of this year from the executive director of the Center for Taxpayer Rights, Nina Olson to the Treasury Department and IRS Commissioner Werfel regarding the implementation of IRS' 2023 to 2031, Strategic Operating Plan.

Mr. SESSIONS. Without objection.

Mr. MFUME. Thank you. Mr. Chairman, I yield back.

Mr. SESSIONS. Thank you very much. Before I end this, I want to say that Mr. Mfume and I attempt to run this with an understanding about working with each other in a fair manner, not only to our Members, but also to the witnesses that we asked to come and appear. We do expect them to appear. We do expect them to follow our guidance of working with each other. But we, when we end this hearing, we want to come down and shake your hand and thank you for being here.

With that, and without objection, all Members have 5 legislative days within which to submit material and additional written questions for the witnesses which will be forwarded to the witnesses.

If there is no further business, without objection, the Subcommittee stands adjourned.

[Whereupon, at 4:39 p.m., the Subcommittees were adjourned.]

