

Opening Statements

Sen. Wyden (D) (OR)

- The annual tax gap is at least double the estimate and growing
- Our economy has changed. Cryptocurrency creates new opportunities for tax cheats
- Wealthy individuals have accountants that specialize in concealing wealth
- Closing the tax gap would allow us to increase public investments
- The IRS need more resources to tackle the challenge
- Criminal tax evasion cases have fallen by half. IRS experts have fallen by 1/3rd
- Wealthy individuals are litigating the IRS into submission
- We need to throw out business as usual. The IRS needs more investigators and better technology
- We want a 10% increase in IRS funding. We need a more comprehensive strategy
- The annual filing session from now on will focus on what the IRS has done over the previous year to catch cheats and close the gap

Sen. Crapo (R) (ID)

- The IRS has played a central role in our economic recovery
- The child tax credit update changes the scope and mission of the IRS
- I am concerned about the backlog of tax returns from last years filing season
- IRS call center wait times are too long
- Massive fraud in unemployment compensation programs is causing issues for state agencies
- Federal taxes on unemployment caused more confusion
- We want to know how the IRS plans to remedy taxpayer confusion
- The child tax credit advanced payment programs are not well designed and we have not received enough information from the IRS
- The IRS must assure us must mean that the filing season is not put on the backburner
- The July 1 payment deadline will be challenging to meet
- Fully setting up the child tax credit online portal must be considered a priority
- The Taxpayer First Act will modernize the IRS and improve its customer service.

The Honorable Charles Rettig

- The IRS has delivered \$1.3 trillion to individuals since the start of the pandemic
- We need a modernized system. Our legacy systems need to be replaced
- Filing season '21 is going smoothly
- The late start of the filing season did not impact our ability to issue refunds
- We extended the filing season to May 17th
- We will automatically issue the refunds for single filers followed by married filers who qualify for the unemployment insurance exclusion

Questions

Sen. Wyden (D) (OR)

- What is your opinion on how big the annual tax gap is?
 - Rettig: The published estimate is for tax years 2011-2013 was \$441 billion. This does not include virtual currencies, which is a \$2 trillion market cap. It doesn't include foreign sourced income or illegal income. The top 1% of all taxpayers account for \$175 billion in the tax gap computations. If you aggregate all of this, the tax gap may be up to \$7.5 trillion over the next 10 years
- What would the IRS do with an increase in funds for enforcement & what would the rate of return be?

- Rettig: We need a multifaceted approach. If we received a billion dollars for enforcement, we could bring on thousands of employees for enforcement. We would use those funds to modernize our systems. We're down 17,000 enforcement personnel over the last decade.
- Do you need any changes in regulations or statutes to be able to go after cheats?
 - Rettig: We need information reporting across all lanes. Electronic filing would enhance our ability. Correctable error authority would also help.

Sen. Crapo (R) (ID)

- When you calculate the tax gap, do you include legal loopholes?
 - Rettig: No.
- What percentage of CTC recipients will opt out of advanced payments?
 - Rettig: For many people, this is the largest annual refund, but we don't have any information yet.
- How will the IRS reach filers without access to the internet?
 - Rettig: People who don't have broadband will have to use paper sources or visit an IRS location. We will make forms available for people to opt out in avenues other than the portal.
- When will you launch the CTC portal?
 - Rettig: By July 1st.
- Will you issue advanced payments before the portal is launched?
 - Rettig: No, we will follow the statute. If we are not prepared, we will not launch.

Sen. Grassley (R) (IA)

- What will it take to administer the new CTC program?
 - Rettig: We have to create a new structure, we are not historically a benefits delivery agency. It will need a minimum of 300-500 people.
- How do you expect the advantage payments to effect improper payment rates?
 - Rettig: We are required to assume this risk. Our criminal investigation division is engaged in the planning of this.
- Has the private debt collection program been successful?
 - Rettig: We have a high degree of oversight with respect to the companies that are doing this. There is a backload of cases, but we are assisting them. It's worked well.

Sen. Menendez (D) (NJ)

- Would the agency be better able to pursue corporations with an increased budget?
 - Rettig: We need more resources across all lanes.
- Would most borrowers who had their student loans forgiven know that their relief would be considered taxable income if not for our recent exclusion?
 - Rettig: Many people are not aware.
- Where are you on providing advanced refund CTC payments?
 - Rettig: We've put together working groups to determine requirements and ability. We fully anticipate to launch by July 1st.

Sen. Carper (D) (DE)

- How will additional resources help with service?
 - Rettig: The deterrent effect of enforcement keeps people honest. Our level of service depends on our call center and online resources. Every 10% increase in level of surface is \$100 million dollar. We need \$300 million dollars to close the tax gap.
- If the gas tax were raised by four cents over a year, is there a way to rebate that money to families whose income is below the median?

- Rettig: I'll look into it

Sen. Portman (R) (OH)

- What reporting would be helpful on the cryptocurrency side?
 - Rettig: Yes. We added a provision on the 1040 form about cryptocurrency. There are NFT's that are not visible. We have been operating in the dark web to hold criminals accountable.
- How will you mitigate the impact on taxpayers of the return backlog?
 - Rettig: We are current with respect to mail. We are processing returns as quickly as we can. We expect to get through this by summer.
- How is the IRS protecting taxpayer data?
 - Rettig: We collect data on every business and individual in the US. Most matters that are not resolved in exam are resolved inside Appeals. The ability to telework and access taxpayer data was determined on an individual basis.

Sen. Cardin (D) (MD)

- Do you need the ability to regulate paid tax preparers?
 - Rettig: Yes. Some individuals are taken advantage of, particularly those who receive EITC benefits. Without regulation, it's difficult for us to monitor them. Most preparers are helpful, but there are some who take advantage,
- What are you doing to assist those who are unprepared to deal with the tax code?
 - Rettig: We have low income tax clinics to help people file. We have trusted partners that help us receive information.

Sen. Whitehouse (D) (RI)

- Have you made any referrals for discrepancies in reporting in 501c(3) and 501c(4)?
 - Rettig: I will let you know this week.
- What are you doing to regulate high income non-filers?
 - Rettig: It's a priority. High income tax payers are audited more than any other group.
- What are you doing to implement the new shell corporation law?
 - Rettig: We are training employees on new legislation.

Sen. Cassidy (R) (LA)

- Would it help the IRS if you knew that once there was a federally declared disaster there is an automatic exemption?
 - Rettig: We can't launch until there is a law that supports our ability to do so.
- What has the IRS done to make sure low income individuals know how they can get tax relief?
 - Rettig: We are engaging in outreach.
- Are there administrative challenges in getting stimulus checks to prisoners?
 - Rettig: We do the files through Bureau of Physical Service. The debit cards should not have been issued to prisoners, they should have been checks.

Sen. Cantwell (D) (WA)

- Do you have the ability to distinguish between individual and estimated filers?
 - Rettig: It's a Treasury call, it's not under my jurisdiction,
- What deadlines were extended?
 - Rettig: Only the 1040 form.
- Are you considering any changes to the income eligibility calculations for the low income housing credit?
 - Rettig: I will let you know

Sen. Lankford (R) (OK)

- What is your status on mail backlog?

- Rettig: We have 1.7 million returns that came in during 2020 and it's a priority for us to get through them.
- Can you clarify outstanding debt provisions in the EIPs?
 - Rettig: There are differences in the three different EIPs. We are trying to exercise discretion.
- What clarity is needed on cryptocurrency?
 - Rettig: Information reporting would be helpful, 1099's specifically.
- Would you consider every cryptocurrency transaction a taxable event?
 - Rettig: That is guidance that we need to issue.

Sen. Brown (D) (OH)

- Would we see fewer improper payments if the IRS could set minimum competency standards for paid tax preparers?
 - Rettig: Yes
- Will you use IRS funding to support VITA?
 - Rettig: It's an appropriated item. We are using every resource.

Sen. Daines (R) (MT)

- When will the IRS clear out its mail backlog?
 - Rettig: Our mail is current. We work through a million pieces of mail per week.
- What is the update on syndicated conservation easement?
 - Rettig: We have 28,000 taxpayers under examination under those easements.
- How much would it cost to litigate these cases?
 - Rettig: it's hundreds of millions of dollars.

Sen. Warner (D) (VA)

- How many tax returns prior to January 1, 2021 are backlogged?
 - Rettig: 1.7 million. We are on track to get through this by the summer
- Have you seen any multi-year income stream proposals that you are willing to support?
 - Rettig: I support every proposal with respect to funding. We need consistent, multi-year funding.
- What programs are you looking at to help deal with gig workers?
 - Rettig: Part of the issue is our need for outreach and guidance. A lot of gig workers do so temporarily, so it's difficult for us to connect with them. Media tends to be one of the best ways to get information out there.

Sen. Young (R) (IN)

- What process have you adopted in regards to the backlog?
 - Rettig: We have all hands on deck to address this. About 5 million of returns in process are ongoing because we have requested additional information.
- Do high income tax payers account for most of the tax gap?
 - Rettig: Yes, and corporations. Off shore and other components allow for evasion. We need help in pass through partnerships and tiered partnerships. We just brought on more agents in the pass through arena.

Sen. Cortes Masto (D) (NV)

- What are you doing to help domestic violence survivors get stimulus payments?
 - Rettig: The issue is not in the statute to issue duplicate payments. We have limited discretion in this area.
- What gives you the authority to make the change of circumstances portal?
 - Rettig: It's in the statute. We're launching the portal by July 1st.

Sen. Sasse (R) (NE)

- How has the IRS implemented the employee retention credit?
 - Rettig: We are doing recoveries where we can. We processed 47,000 applications.
- Are the remaining applicants a backlog?
 - Rettig: I will get you data on this.
- What is the status on the IRS and SBA interaction?
 - Rettig: The government view is that we do great with respect to outreach, but we tend to have a narrow focus.

Sen. Bennet (D) (CO)

- Can you commit to sending CTC payments starting in July and delivering them on a monthly basis?
 - Rettig: Yes.
- Can you use information from 2019 returns to determine eligibility for the new child tax credit program?
 - Rettig: We work with the SSA & VA, as well as state agencies. Tax returns get us information so we know how much to provide families. Current banking information is critical.

Sen. Hassan (D) (NH)

- How can Congress increase outreach about employee retention tax credit?
 - Rettig: The responsibility is ours.

Sen. Warren (D) (MA)

- Why has the audit rate fallen most sharply for the richest filers?
 - Rettig: We have lost 17,000 enforcement personnel over the last decade. We're very hopeful that we can start to address these issues by ramping up human capital.
- Will additional mandatory funding strengthen the IRS?
 - Rettig: Yes.