

United States Senate
WASHINGTON, DC 20510

January 26, 2022

The Honorable Janet Yellen
Secretary
United States Department of Treasury
1500 Pennsylvania Avenue, N.W.
Washington, D.C. 20220

Dear Secretary Yellen:

As the tax filing season opens, we are writing with concern about the negative impacts of underfunding the Internal Revenue Service (IRS) and the potential impacts of this underfunding on the quality of service provided by the agency. Your department has warned of a “frustrating season” for taxpayers, including return processing and refund delays and issues with other taxpayer services on which millions of Americans rely.¹ These risks come as no surprise after over a decade-long gutting of the IRS budget, which has prevented the agency both from taking action against wealthy tax cheats and providing adequate assistance to the majority of Americans trying to honestly file their taxes. We urge you to do everything you can to alleviate challenges for tax filers this year, especially lower-income Americans, while also continuing to work with Congress to make long-overdue investments in the IRS, through FY 2022 and 2023 appropriations, the *Build Back Better Act*, or other avenues.

We are deeply concerned about the challenges that our constituents will face during this tax filing season, including service issues that have become all too familiar. The recent National Taxpayer Advocate’s 2021 Annual Report to Congress concluded that “2021 was the most challenging year ever for taxpayers,” finding that “processing backlogs led to long refund delays,” and that “telephone service was the worst it has ever been.”² During the 2021 tax filing season, IRS assistors answered only one out of every nine calls.³ Meanwhile, processing delays have left the IRS with a backlog of 10 million unprocessed returns as of January 2022.⁴ Treasury officials have warned taxpayers to expect more of the same, or worse, this year.⁵

¹ The Washington Post, “Treasury warns of ‘enormous challenges’ this tax filing season that could delay refunds,” Jeff Stein, January 10, 2022, <https://www.washingtonpost.com/us-policy/2022/01/10/treasury-irs-filing-season/>.

² National Taxpayer Advocate, “Annual Report to Congress 2021,” January 2022, pp. 2-3, https://www.taxpayeradvocate.irs.gov/wp-content/uploads/2022/01/ARC21_Full-Report.pdf.

³ *Id.*, pp.21.

⁴ IRS, “IRS Operations During COVID-19: Mission-critical functions continue,” updated January 21, 2022, <https://www.irs.gov/newsroom/irs-operations-during-covid-19-mission-critical-functions-continue>.

⁵ The New York Times, “The I.R.S. is warning of a messy tax season,” Alan Rappeport, January 10, 2022, <https://www.nytimes.com/2022/01/10/business/income-tax-day-deadline.html>; The Washington Post, “Treasury warns of ‘enormous challenges’ this tax filing season that could delay refunds,” Jeff Stein, January 10, 2022, <https://www.washingtonpost.com/us-policy/2022/01/10/treasury-irs-filing-season/>.

The IRS is a critical pillar of the U.S. government and the American economy, collecting revenue that lets the government function and providing services and benefits to hundreds of millions of Americans. But the agency is clearly struggling to perform those functions.

It is clear that long-term underfunding, combined with the extra burdens posed by the ongoing pandemic, is the primary reason for the IRS' challenges. According to IRS Commissioner Charles Rettig, the agency's FY 2021 budget was \$2.7 billion less than its FY 2010 budget in real terms, a 22% reduction.⁶ As a result, IRS staffing has also fallen 22% since FY 2010, while the number of tax filers has increased by 14%.⁷ The IRS is being forced to do more with less every single year, processing more returns, sending out more refunds, answering more phone calls, and updating antiquated IT systems. We appreciate the efforts of the IRS to overcome these budget and staffing cuts and deliver critical pandemic relief in the form of stimulus checks and Child Tax Credit advance payments. But current service levels and quality are clearly not acceptable. Commissioner Rettig himself has stressed, "Maintaining a flat budget will continue to deprive Americans of both the nature and quality of services they deserve, producing a continuing decline in fairness and service."⁸ The National Taxpayer Advocate also recently emphasized in its recommendations to Congress the importance of sufficient funding for the IRS to implement plans to improve taxpayer services and modernize IT systems.⁹

In this context, we are glad to be working with the Biden Administration on its proposal to invest nearly \$80 billion in the IRS over the next 10 years.¹⁰ As you have emphasized, this funding will allow the IRS to pursue better enforcement with respect to wealthy taxpayers and large corporations, raising at least \$2.3 trillion over the next two decades, according to Treasury estimates.¹¹ But, just as important, this funding will allow the IRS to make transformative investments in taxpayer services, including hiring staff to answer taxpayer calls and process returns and refunds, as well as modernizing IT systems to help taxpayers file their taxes and claim tax credits and refunds. The proposal has bipartisan support from former Treasury Secretaries and IRS Commissioners.¹²

Corporate lobbyists and anti-tax extremists – who have championed the budget cuts to the IRS – continue to oppose funding for the IRS. Last year, Republican Senators were initially

⁶ Letter from IRS Commissioner Charles Rettig to Senator Elizabeth Warren, August 27, 2021, pp. 2, <https://www.warren.senate.gov/imo/media/doc/Warren%20et%20al%20response%20to%20Warren%20082721.pdf>.

⁷ *Id.*, pp. 5.

⁸ *Id.*, pp. 1.

⁹ National Taxpayer Advocate, "2022 Purple Book: Compilation of Legislative Recommendations to Strengthen Taxpayer Rights and Improve Tax Administration," December 31, 2021, pp. 6, https://www.taxpayeradvocate.irs.gov/wp-content/uploads/2022/01/ARC21_PurpleBook.pdf.

¹⁰ U.S. Department of the Treasury, "The American Families Plan Tax Compliance Agenda," May 2021, pp. 16-18, <https://home.treasury.gov/system/files/136/The-American-Families-Plan-Tax-Compliance-Agenda.pdf>.

¹¹ *Id.*, pp. 2.

¹² The New York Times, "We Ran the Treasury Department. This Is How to Fix Tax Evasion," Timothy F. Geithner, Jacob J. Lew, Henry M. Paulson Jr., Robert E. Rubin and Lawrence H. Summers, June 9, 2021, <https://www.nytimes.com/2021/06/09/opinion/politics/irs-tax-evasion-geithner-lew-paulson-summers-rubin.html>; The Washington Post, "Opinion: Five Former IRS Commissioners: Biden's Proposal Would Create A Fairer Tax System," Lawrence B. Gibbs, Fred T. Goldberg, Margaret M. Richardson, Charles O. Rossotti, and John Koskinen, May 4, 2021, https://www.washingtonpost.com/opinions/five-former-irs-commissioners-bidens-proposal-would-create-a-fairer-tax-system/2021/05/04/c4ee8346-acfc-11eb-ab4c-986555a1c511_story.html.

open to including IRS funding in an early framework for the bipartisan *Infrastructure Investment and Jobs Act*, but quickly reversed course under pressure from corporate and conservative lobbyists.¹³ This right-wing crusade against the IRS is achieving its primary goal – decreasing U.S. government revenue and denying the IRS the resources it needs to identify and stop the complex tax evasion by the top 1% – while also hurting millions of honest American workers and small business owners by forcing them to deal with wholly inadequate IRS services. Although Congressional Republicans withdrew support for IRS funding in the bipartisan infrastructure bill, and have refused to support the IRS funding in the *Build Back Better Act*, we urge them to rethink their position and join us in making much-needed investments in the agency. Meanwhile, the Senate Democratic Caucus stands ready to provide the funding necessary to deliver the IRS that Americans deserve.

Given the challenges of this year’s filing season, it is more important than ever that the IRS receives the funding it needs to provide the American taxpayers with a timely and improved service experience. To that end, we look forward to continuing to work with you to pass the *Build Back Better Act* or similar legislation, including the \$80 billion 10-year IRS funding proposal, as well as on FY 2022 appropriations for the IRS, which will provide funding for the IRS during this filing season. We also request that the administration include robust funding for the IRS in the President’s forthcoming budget proposal for FY 2023. We note that the administration’s FY 2022 budget proposed \$13.6 billion in IRS funding, a 14% increase from the FY 2021 enacted level.¹⁴ We believe that the funding increase should at least be as high in FY 2023.

Finally, we ask that you provide answers to the following questions no later than February 9, 2022:

1. Given current budget constraints, what steps is the administration taking to limit issues for American taxpayers during the 2022 filing season, including with respect to customer service staffing, simplified filing tools, and return processing?
2. What funding is needed from Congress in FY 2022 appropriations to help the IRS provide the best possible service to tax filers this season? How would lower FY 2022 appropriations for the IRS, including via a continuing resolution, impact IRS taxpayer services in this filing season? If possible, please provide specific metrics – such as phone wait times or refund delays – on the impact of lower appropriations.


¹³ The Washington Post, “Conservative Groups Mount Opposition to Increase in IRS Budget, Threatening White House Infrastructure Plan,” Jeff Stein, Tony Romm, and Yeganeh Torbati, July 8, 2021, <https://www.washingtonpost.com/business/2021/07/07/irs-taxes-budget-conservatives/>; The New York Times, “For Republicans, Deep Wounds Fuel Resistance to Bolstering the I.R.S.,” Alan Rappeport, July 23, 2021, <https://www.nytimes.com/2021/07/23/us/politics/republicans-infrastructure-irs-tax-gap.html>; New York Magazine, “How the GOP’s Long War on the IRS Threatens the Infrastructure Deal,” July 9, 2021, <https://nymag.com/intelligencer/article/republican-war-irs-threatens-infrastructure-deal.html>; Government Executive, “IRS Funding Surge Punted From Bipartisan Infrastructure Package,” Eric Katz, July 19, 2021, <https://www.govexec.com/workforce/2021/07/irs-funding-surge-punted-bipartisan-infrastructure-package/183873/>.

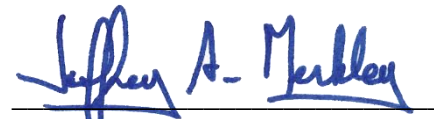
¹⁴ The \$13.6 billion in proposed IRS funding for FY 2022 included the \$13.16 billion budget request, as well as an additional \$417 million provided through a program integrity allocation adjustment. IRS, “Budget in Brief: Fiscal Year 2022,” May 2021, <https://home.treasury.gov/system/files/266/19.-IRS-FY-2022-BIB.pdf>.


3. What additional steps are you contemplating in order to improve taxpayer services for the 2023 filing season, and what funding is needed from Congress in order to do so?
4. How would the proposal for nearly \$80 billion in IRS funding, which is included in the *Build Back Better Act*, impact IRS customer service, including in terms of in-person and telephone assistance, taxpayer online filing tools, and return and refund processing times?


Thank you for your attention to this important matter, and we look forward to your response.

Sincerely,

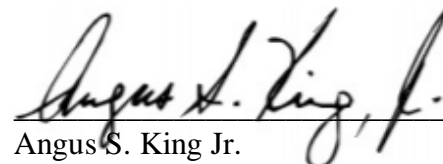

Elizabeth Warren
United States Senator



Jeffrey A. Merkley
United States Senator

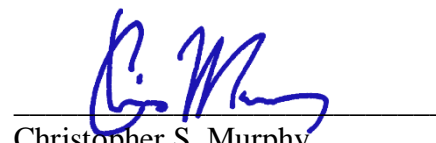

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Tammy Duckworth
United States Senator

Tom Carper /s/


Tom Carper
United States Senator



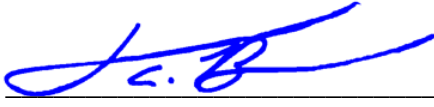
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