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Opening Statement of Chairman Gerald E. Connolly Hearing on “IRS: Is It Ready?” April 21, 2022

Throughout the pandemic, we turned to the Internal Revenue Service (IRS) to keep our country from economic collapse. After decades of partisan attacks and intentional starvation of the agency, we asked the agency to accomplish the impossible: process nearly 150 million tax returns worth \$365 billion, issue 479 million pandemic stimulus payments totaling \$812 billion, and send Child Tax Credit payments to 36 million families totaling more than \$93 billion, thereby, lifting one-fourth of children in the United States out of poverty.

These evolving responsibilities and requirements did not always go smoothly. More than 195 million people called the IRS for help during the 2020 filing season, which is nearly four and a half times more calls than it received in 2019. Unfortunately, about 82% of those callers received busy signals or disconnections, or the taxpayers simply hung up out of frustration. **The IRS is entering this tax season with a massive backlog of about 23.5 million tax returns and pieces of correspondence related to the 2020 tax season. We are asking the IRS to boil the ocean.**

Congress, at a minimum, must resource the IRS appropriately—and then hold IRS leadership accountable for making sure those resources are properly deployed to provide the American people the level of service they deserve from this vitally important agency.

Today’s hearing will examine how the IRS can make it through this tax season. We know constituents in every district across this nation struggle to get the help they need to receive the money they are owed from the IRS. We will hear what steps the IRS, Congress, and the American people can take to avoid busy signals, missing refund checks, and unnecessary billion-dollar interest payments on delayed returns. We will look at how decades of deliberate starvation of the IRS can be countered with robust appropriations and new hiring flexibilities.

If you look at the figure on your screen, you will see IRS appropriation levels for the past 20 years. The blue line represents appropriations adjusted for inflation. From 2010 to 2019, you will see a steady decline in appropriations—with a nadir in 2019. In the past two years, the years that coincide with Democratic control of Congress, you see a reinvestment in the IRS. This chart does not include \$1 billion appropriated to the IRS in the American Rescue Plan that is targeted to IT Modernization.

Years of IT-system neglect and a failure to modernize have left the IRS saddled with an operation highly dependent on obsolete programming languages like COBOL, VisualBASIC, and Assembler Language code. Most of these languages are not even taught in schools anymore. More than 23 percent of the IRS’s applications (287 out of 1,242 applications) are considered legacy systems because they are 25 years or older, and lack vendor support.

As of October 2021, about 14 percent of all IRS hardware and 15 percent of its software is considered legacy. It is unacceptable that so many software programs are two or more versions behind the most recent vendor released updates.

While the IRS knows these legacy systems hamstring its potential, the agency cannot say what it will cost to modernize these legacy systems because of the way that the agency is required to report costs to the Office of Management and Budget. This year, those reporting requirements have changed. Let's hope that the Commissioner might soon have a clearer answer for us about the IRS's IT modernization needs.

The IRS staffing trends tells a similar, dismal story. If you look at the screen again, you will see that the size of the IRS workforce shrunk from Fiscal Year 2010 through Fiscal year 2018. In recent testimony before the Ways and Means Subcommittee on Oversight, Commissioner Rettig stated that staffing levels at IRS, currently hovering around 79,000, are close to 1974 staffing levels.

IRS Enforcement staffing levels have decreased by 30 percent since 1974, while real Gross Domestic Product has increased by 29 percent, and the filing population has increased by 14 percent. Over the next six years, Commissioner Rettig, you stated that you estimate you will need to hire 52,000 employees just to maintain current understaffed levels.

The severe financial, technical, and staffing problems at the IRS were predictable and a direct result of years of partisan hostility, reckless investigations, and unwarranted budget cuts from Republican majorities in Congress. And today, as we head into this year's tax season, the IRS is gasping for air.

I hear from constituents every day who are battling the IRS's online, telephone, and in-person systems to get their refund, money they need to buy medication, groceries, or their children's school supplies.

I have assisted an increasing number of constituents during the pandemic who are struggling to file taxes on behalf of a recently deceased loved one, a process the IRS somehow cannot get right. I have a family in my district who filled their taxes out correctly, but nevertheless have been threatened with hundreds of dollars in fines because someone within IRS keyed their return in inaccurately. This family has been working since 2019 to find anyone within the IRS to listen to them—to let them show the IRS that they did everything right.

Every Member attending this virtual hearing has heard from constituents who cannot reach a customer service representative—people who spent countless hours on hold or could only reach a busy signal. And they're frustrated that the online "Where's my Refund" tool fails to give them information that could help them avoid having to make the call in the first place.

I have continuously engaged in oversight of the IRS, including a hearing on the IRS in the Pandemic in October 2020. I have written oversight letters with my Vice Chair, Ms. Porter, asking the IRS to prioritize processing the tax returns of individuals on the brink of poverty—who need their refund to thwart eviction. I have asked about ways to help address and prevent backlogs. Most recently, I again joined my Vice Chair in encouraging our appropriators to give the IRS the funding they requested to make the investments they need in staff and IT to better serve taxpayers.

We are here today to find ways to help the IRS succeed. One no-brainer is to support the \$80 billion investment in the IRS within President Biden's Made in America Tax Plan. The independent Congressional Budget Office estimated, in response to a request from Republican Senator Lindsey Graham, that that \$80 billion investment would increase revenues by \$207 billion, thereby reducing the federal deficit by \$127 billion through 2031. Why have we not already invested this money in the IRS?

The other no brainer is requiring the IRS to invest in 2-D barcoding technology. I recently partnered with my Vice Chair, Ms. Porter, to introduce the Streamlining IRS Operations Act, which would require the IRS to use scanning technology on any paper return generated using tax prep software. When enacted, this legislation will help eliminate the IRS backlog and increase accuracy because it removes the need for IRS employees to transcribe every digit and letter from a paper return. The Taxpayer Advocate Service has recommended the implementation

of this technology for 18 years. And GAO also noted that the scanner technology's benefits outweigh any perceived costs. That's actually a pretty strong stance for GAO!

I look forward to hearing from the Commissioner and the National Taxpayer Advocate today. **We want to know how we are going to make it through this tax season as efficiently as possible. And we need to know how we will build the IRS we need for the future. We need to hear your vision, Commissioner Rettig, for how to put the IRS on terra firma—and how we right course for an essential agency attempting to rebuild itself from partisan starvation.**

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