



September 13, 2021

The Honorable Mike Crapo
Ranking Member, Senate Committee on Finance
219 Dirksen Senate Office Building
Washington, D.C. 20510

The Honorable Kevin Brady
Ranking Member, House Committee on Ways and
Means
1139 Longworth House Office Building
Washington, D.C. 20515

Dear Ranking Member Crapo and Ranking Member Brady:

On behalf of National Taxpayers Union (NTU), the nation's oldest taxpayer advocacy organization, I wish to thank you and your colleagues for introducing the Tax Gap and IRS Enforcement Reform Act. This legislation is a strong alternative to recent proposals that would write an \$80 billion check to the IRS with too little forethought. If lawmakers move forward with an Internal Revenue Service (IRS) budget boost anyway, these reforms and more should be considered prerequisites for any major proposed increase in the IRS budget, and would both safeguard taxpayers' rights and support taxpayers' interest in an effective, modern, and agile IRS.

NTU has been concerned that some lawmakers see the projected tax gap -- the difference between federal taxes owed and federal taxes collected by the IRS -- as 'easy money' to pay for major new spending programs and priorities. NTU's sister organization, NTU Foundation, has published extensive research calling into doubt the veracity of claims that the tax gap could total as much as \$1 trillion per year.¹ And for our part, NTU has argued that any IRS budget boost could be effectively wasted if the agency does not *effectively* pursue a reduction in the tax gap, while also correcting for long-term deficiencies at the IRS.²

The Tax Gap and IRS Enforcement Reform Act would help to ensure that new IRS appropriations put the agency on a path to better results for tax administration, while also protecting taxpayer rights, by:

- Requiring the IRS to conduct more regular estimates of the tax gap, and requiring the nonpartisan Joint Committee on Taxation to analyze and offer a 'second opinion' on IRS tax gap research;
- Compelling the IRS to improve its audit selection process, which holds the potential to reduce the tax gap without significantly increasing taxpayer commitments to the agency's budget; and
- Launching a pilot program that could allow the IRS to leverage private-sector expertise to improve its enforcement activities.

¹ Wilford, Andrew; Moylan, Andrew; and Sepp, Pete. "The Tax Gap: No Trillion Dollar Silver Bullet." NTU Foundation, May 13, 2021. Retrieved from: <https://www.ntu.org/foundation/detail/the-tax-gap-no-trillion-dollar-silver-bullet>

² Sepp, Pete; and Lautz, Andrew. "14 Recommendations for Congress and the IRS as They Attempt to Narrow the Tax Gap." National Taxpayers Union, June 9, 2021. Retrieved from: <https://www.ntu.org/publications/detail/14-recommendations-for-congress-and-the-irs-as-they-attempt-to-narrow-the-tax-gap>

The above elements are extremely helpful in answering some of the numerous questions surrounding current and additional commitments of resources to the IRS. At present, tax gap estimates are based on years-old data that lag socioeconomic trends, and are not “peer reviewed” in a public way by other government entities with significant revenue-estimating capacities. Auditing policies, while necessarily developed in a confidential environment, could certainly benefit from a more consistent feedback loop that minimizes burdens on innocent taxpayers selected for examination, while maximizing revenue recovery from noncompliant returns. Finally, the pilot program for private-sector expertise embodies the proof-of-concept principle that must accompany any effort to ameliorate the effects of ‘brain drain’ at the Service.

These provisions would be highly desirable in virtually any context involving the tax agency -- whether as part of a standalone bill focusing on improvements to the IRS or as part of the current discussion over its budget. The Tax Gap and IRS Enforcement Reform Act would assist Members in arriving at a rightsized budget for the IRS that emphasizes taxpayer service and taxpayer rights first -- two conditions which, over the long run, actually strengthen compliance and collections. It is in that sense an alternative to simply rubber-stamping a massive funding increase which, while still short on details, bears troubling hallmarks of poor prioritization and risks wasted money. Hopefully thoughtful Members of both parties can appreciate the value of your legislation, regardless of their perspective on where the IRS budget should land.

We are grateful for your commitment to IRS reform and taxpayer rights, and look forward to working with you to advance this legislation and numerous other stakeholder recommendations to improve operations at the IRS.³

Sincerely,

Pete Sepp
President

Andrew Lautz
Director of Federal Policy

CC: Members of the Senate Committee on Finance
Members of the House Committee on Ways and Means

³ *Ibid.*