

May 28, 2021

The Honorable Patrick Leahy  
Chairman  
United States Senate  
Appropriations Committee  
Washington, D.C. 20510

The Honorable Richard Shelby  
Vice-Chairman  
United States Senate  
Appropriations Committee  
Washington, D.C. 20510

The Honorable Rosa DeLauro  
Chairwoman  
United States House of Representatives  
Appropriations Committee  
Washington, D.C. 20515

The Honorable Kay Granger  
Ranking Member  
United States House of Representatives  
Appropriations Committee  
Washington, D.C. 20515

RE: Provide Sufficient Funding to the Internal Revenue Service to Improve "Taxpayer First Act" Level Service and Operation-Critical Functions During the COVID-19 Pandemic

Dear Chairs and Ranking Members:

On behalf of the 28,000 members of the Texas Society of Certified Public Accountants (TXCPA), we are writing to encourage you to provide immediate funding for the Internal Revenue Service so it can effectively serve the public, including promptly delivering remaining stimulus payments and tax refunds in the current tax season and quickly clearing up backlogged issues from last filing season. The IRS is one of the most important points of contact between the federal government and its citizens, and effective, efficient and fair administration are critical to maintaining faith in government, especially during times of crisis. Congress and the Administration should consider immediately increasing IRS funding.

### **IRS Needs More Funds to Address 2021 Tax Season Issues and to Deliver COVID Relief and Stimulus Checks**

Additional COVID-19 relief legislation enacted at the end of last year and as recent as March required the IRS to reprogram computers and modify tax forms, causing a delayed start to the tax filing season. The IRS normally allows tax returns to be filed in late January each year, but for the current filing season, the IRS could not receive returns until Feb. 12. This delayed start was particularly harmful to low-income families who rely on refunds from the Earned Income Tax Credit (EITC) and the Additional Child Tax Credit (ACTC) that were not received until early March.<sup>1</sup>

In a statement regarding the delay, Commissioner Charles Rettig stated, "Planning for the nation's filing season process is a massive undertaking, and IRS teams have been working nonstop to prepare for this as well as delivering Economic Impact Payments in record time. Given the pandemic, this is one of the nation's most important filing seasons ever. This start date will ensure that people get their needed tax refunds quickly while also making sure they receive any remaining stimulus payments for which they are eligible as quickly as possible."<sup>2</sup>

<sup>1</sup> [2021 tax filing season begins Feb. 12; IRS outlines steps to speed refunds during pandemic | Internal Revenue Service](#)

<sup>2</sup> Ibid.



The IRS has processed three stimulus payments, sending out more than 400 million checks, direct deposits and other forms of payments to provide relief for families and a boost to the economy. This required substantial resources while the IRS started the current filing season to reprogram computers, handle taxpayer inquiries and correct errors that are inevitable in sending out so many payments.

Taxpayers do not need glitches in our tax system while trying to cope with other issues related to the pandemic. The IRS needs additional funding immediately to make the tax season go smoothly.

### **IRS Needs More Funds to Address Backlog from Last Year**

While the new tax season is here, the IRS is still working on issues backlogged from the last tax season. The pandemic prompted the IRS to delay the tax filing due dates in 2020 and 2021. IRS offices were closed for much of last year, mail processing was delayed for many months and much important work had to be placed on hold. Many IRS employees are still not in offices and, although the IRS has now opened its mail and processed payments, many substantive taxpayer issues from the 2019 and 2020 filing seasons have not been addressed. Incorrect notices were sent to many taxpayers because the taxpayer's mail responses were not processed by the IRS due to pandemic closures, including:

- If a taxpayer e-filed a return and sent a check in the mail, the check may not have been received or processed until much later, causing the IRS to issue erroneous notices to collect taxes, interest and penalties. Although the IRS placed a temporary hold on sending certain notices, many substantive issues remain.
- Some taxpayers received notices of default on installment agreements for checks that were mailed but not timely received because of mail delays, and this has, in certain cases, resulted in cancellation of the installment agreements and proposed additional charges be assessed to reinstate the agreement.
- Many returns cannot be filed electronically and the paper returns have not been processed, with refunds delayed.<sup>3</sup>
- Taxpayers who have not received refunds from last year's returns often cannot reach anyone at the IRS to explain the problem and have generally been told not to file again or call to ask about their refunds.
- Offers in compromise are not being entered by the IRS because agents do not have time to process them.
- In addition to erroneous notices that were sent, in many instances the IRS has not sent notices to properly inform the taxpayer of the error.

Although the issue of lack of adequate taxpayer communications was exacerbated by the pandemic, this was also a significant problem before. The IRS must have funding to adequately address issues involving taxpayer communications in "normal" tax seasons and to be prepared to address this issue in the event of another crisis.

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<sup>3</sup> The GAO reports that the IRS paid \$3.03 billion in interest on late refunds in 2020 and \$2.06 billion in 2019. See [IRS pays \\$3 billion in late-refund interest - The Washington Post](#) and [GAO-21-251, Accessible Version, TAX FILING: Actions Needed to Address Processing Delays and Risks to the 2021 Filing Season](#).

### **IRS Needs More Funds to Improve Taxpayer Service**

The IRS serves taxpayers as they comply with the tax law, but without adequate resources the IRS is unable to effectively serve this function. The IRS has tried to address taxpayer-service problems, but the problems are continuing and may become worse with the added issues of this tax season relating to stimulus payments, delayed credits and refunds, catching up its workload, etc.

The IRS received over 100 million telephone calls in fiscal 2020 but was only able to answer 24%.<sup>4</sup> With more than 400 million stimulus payments issued, even if there is just a 2% error rate, that means 8 million problems to resolve and millions of unhappy citizens trying to call the IRS with questions that will require research and response. Often, taxpayers who call the IRS to try to comply with our complex tax law spend hours on hold and sometimes experience a “courtesy” disconnect after long holds. At other times, taxpayers are told that lines are busy and asked to try back on the next business day. This undermines faith in the tax system and reduces the level of taxpayer compliance.

### **IRS Needs More Funds to Interact with Tax Professionals**

In our complicated tax system, many taxpayers engage professionals to assist with compliance issues and, like taxpayers, our members have serious problems engaging with the IRS to seek resolution of substantive issues. Although practitioners have a “hotline,” it is understaffed, with our members spending hours on hold. Practitioners should not have to spend hours of scarce professional time on hold on the telephone or trying to reach understaffed departments. Clients and professionals who bear the cost of this inefficiency are badly served by our tax system, and the IRS needs immediate funding to be able to work more efficiently and effectively with taxpayers’ professional representatives.

### **IRS Needs More Funds to Accommodate Its Increasing Workload**

The IRS funding has been reduced to \$12 billion, roughly 20% below its peak 2010 inflation-adjusted budget.<sup>5</sup> In this same period, more returns are being filed, resulting in additional work being placed on the IRS, such as:

- Constantly changing laws require reprogramming of computers and developing new or updated tax forms.
- Promptly issuing stimulus checks and making direct deposits to taxpayer bank accounts, which is a major undertaking, but no additional funds have been provided for this service. The timeliness of these payments is essential to help citizens and to achieve the intended spur to the economy.
- Dealing with the national problem of identity theft, particularly attempts to steal taxpayer refunds. The IRS must quickly verify the identity of taxpayers to avoid delaying these refunds and this function requires additional staffing for which the IRS has not received adequate funds.

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<sup>4</sup> [National Taxpayer Advocate 2021 Purple Book: Dec 2020](#)

<sup>5</sup> [Trends in the Internal Revenue Service's Funding and Enforcement | Congressional Budget Office \(cbo.gov\)](#), July 2020

Some of the current issues relate to the IRS' inability to update its information systems because of lack of funding. The *Taxpayer First Act of 2019* identifies improvements to be made, but these are to be phased in through 2025.<sup>6</sup> Action is needed now.

### **IRS Needs More Funds to Collect Unpaid Taxes**

The IRS is incredibly efficient in collecting revenue, having collected \$3.5 trillion in fiscal year 2020 with a budget of \$11.5 billion, a revenue/expense ratio of 300 to 1.<sup>7</sup> Revenue collection is particularly important in a time of record debt and deficits to fund government relief and other programs, to boost the economy and to keep government borrowing as low as possible.

Our self-assessment system of taxation relies on voluntary compliance by taxpayers. In recent years, the audit rate has declined to around 0.5% of tax returns filed and for 2019 returns, this rate of audit has likely declined even more. The most recent report of the tax gap (the amount of taxes that should have been paid but were not) was published in 2019 and for tax years 2011-2013, they averaged a net (after later collections) of \$381 billion or about 14% of total tax liability.<sup>8</sup> This level of noncompliance may lead to disrespect for the tax system, growing noncompliance and lack of faith in our government. In fairness to compliant taxpayers and for the health of our tax system, we urge you to provide sufficient funding for the IRS to collect taxes that are legitimately due.


For the sake of service and fairness to all taxpayers, for the health of our tax system, and for fiscal responsibility, we urge you to provide immediate funding for the IRS to effectively, efficiently and fairly serve taxpayers.

We thank you for considering the views of the Texas Society of CPAs.

Sincerely,



Jerry Spence, CPA  
Chairman



David P. Donnelly, CPA  
Chair, Federal Tax Policy Committee

cc: The Honorable Ron Wyden, Chairman, U.S. Senate Finance Committee  
The Honorable Mike Crapo, Ranking Member, U.S. Senate Finance Committee  
The Honorable Richard Neal, Chairman, U.S. House Ways and Means Committee  
The Honorable Kevin Brady, Ranking Member, U.S. House Ways and Means Committee  
U.S. Senators and Representatives from Texas  
The Honorable Janet Yellen, Secretary of the Treasury  
The Honorable Mark Mazur, Acting Assistant Secretary for Tax Policy

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<sup>6</sup> [Taxpayer First Act Report to Congress, Jan 2021](#)

<sup>7</sup> Id., NTA 2021 Purple Book

<sup>8</sup> [IR-2019-159 IRS Tax Gap Estimates, Sept 2019](#)

Chairs and Ranking Members

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The Honorable Charles Rettig, Commissioner, Internal Revenue Service

National Taxpayer Advocate Erin M. Collins

Kenneth Corbin, Chief Taxpayer Experience Officer, IRS