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United States Senate

COMMITTEE ON FINANCE

WASHINGTON, DC 20510–6200

January 29, 2015

The Honorable John Koskinen
Commissioner
Internal Revenue Service
1111 Constitution Avenue, NW
Washington, DC 20224

Dear Commissioner Koskinen:

In recent days, you have threatened that the 2015 tax filing season will be "miserable" due to the Internal Revenue Service's tightened budget and decision "to do less with less" in light of the recent three percent reduction in your agency's annual budget. In a January 13 email to IRS employees, you laid out several ways your agency would respond to its tightened budget, including:

- Delaying taxpayer protections against identity theft;
- Not replacing the IRS's aging information technology systems;
- Delaying refunds by a week or longer and diminishing phone and in-person service; and
- A potential two day shutdown of IRS operations.

These actions – exacerbated by increasingly complicated tax compliance requirements under the Affordable Care Act – threaten to leave taxpayers with the worst tax filing season in recent memory. As members of the Senate Finance Committee, we look forward to working with you to ease the burden of tax compliance, help the IRS run more efficiently and effectively, and reforming our tax code. In the meantime, allow me to suggest the following areas where your agency might find savings in ways that do not harm taxpayers:

- In recent years, the IRS has paid millions of dollars in bonuses and given tens of thousands of paid vacation hours to employees with recently substantiated conduct issues and disciplinary actions, including bonuses to 1,100 employees owing back taxes;
- In Fiscal Year 2013, your agency spent over $23 million and more than 500,000 working hours devoted to union activity, as well as hundreds of thousands of dollars for union travel expenses;
- In late 2013, your agency and the Treasury Department devoted considerable resources to issuing new regulations to limit the free speech of tax-exempt social welfare organizations. These regulations, issued under the false premise of "confusion" over 54-year old regulations, was withdrawn after unprecedented opposition from free-speech loving Americans across the political spectrum. For reasons beyond explanation, your agency is again devoting considerable staff resources to *reissue* the free speech limitations. These resources might be better spent answering telephones; and

- Your agency spends billions of dollars *every year* on information technology systems – roughly twenty percent of its entire budget. We look forward to working with you in the coming months to find ways to spend this money in a manner that provides better value to taxpayers.

The Senate Finance Committee has a long history of working closely with the Internal Revenue Service, and we will do our part to continue this tradition in the 114th Congress. We will work to give your agency the tools it needs and reform our country's tax code to make it simpler, fairer, and more competitive. In return, we hope you will work to better streamline your agency and avoid injudicious wastes of taxpayer dollars. We look forward to working with you in this endeavor.

Sincerely,

Dan Coats