

15 February 2023

## Senate Finance Holds Werfel IRS Commissioner Hearing

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The Senate Finance Committee's February 15 hearing on the nomination of Daniel Werfel to be IRS Commissioner focused, as expected, on Republican concerns that the Inflation Reduction Act (IRA) \$80 billion funding boost will go unchecked and exacerbate the potential for the IRS to infringe on taxpayers' rights, as well as bipartisan interest in how to modernize the agency. Werfel, who led the agency in an acting capacity in 2013, was generally amenable to coordination with Congress on the spending plan while cautioning that he would want to discuss that and other decisions with IRS employees if confirmed. Some Republican members expressed support for his nomination and the general expectation is it will move forward.

The IRA funding increase has been a political issue since it was proposed and through the 2022 campaign season. Shortly after taking the majority, House Republicans approved a bill to roll it back. Chairman Ron Wyden (D-OR) took the criticism head on, saying, "the IRS is getting the resources it needs to go after tax cheating by the big guys – the wealthy and corporations. There are members who oppose that effort, and I get that they want to deflect and distract. That's why you're hearing these wild, made-up fantasies about 87,000 agents armed with rifles, busting down people's doors. If you don't want to engage on the real issue, which is tax cheating by the wealthy and corporations, you change the channel and talk about something else."

Ranking Member Michael Crapo (R-ID) said the IRA's supplemental billions could result in government waste because of a lack of accountability and guardrails, meaning the next Commissioner will shoulder the burden for outcomes and planning. He also cited inconsistency in rulemaking, saying, "Recently, the IRS simply overlooked statutory deadlines for implementing new laws, including third-party network reporting and EV tax credits. These delays seem conspicuous given that other recent and complex tax changes, including the amortization of R&D expenses, corporate book minimum tax, and stock buyback excise tax all took effect without necessary guidance."

In testimony, Werfel said, if confirmed:

- audit and compliance priorities will be focused on enhancing IRS capabilities to ensure America's highest earners comply with applicable tax laws;
- efforts to modernize and improve taxpayer service and ensure that individuals and businesses eligible for tax benefits receive them will be front and center; and
- technology upgrades and additional human resource capacity are necessary, as is data security and impartiality and fairness in all matters.

Chairman Wyden expressed concern that the wealthy are audited less frequently than working families, particularly EITC recipients are audited less than large partnerships, which is an issue he drew attention to in 2021 in conjunction with a hearing and a related New York Times article. Werfel said the ingredients of effective tax implementation include equity, and policymakers should look at the audit footprint and see balance, especially if there is a disparate impact on poor people.

Senator Crapo said there is doubt about whether the IRS plan for spending \$80 billion will be released. Werfel said as a former “budgeteer” with the Office of Management and Budget, he thinks he can earn the trust to put together a plan that shows where the money is going.

Senator Chuck Grassley (R-IA) cited his IRS Funding Accountability Act to give Congress more input and accountability regarding the IRS funding increase, including an annual report on the spending plan. Werfel said he has seen a lot of Grassley’s work on tax administration issues and will work with the Committee to make the spending plan public and determine the frequency of updates.

Senator John Thune (R-SD), who partnered with Grassley on the accountability bill, also emphasized the provision requiring IRS to update the spending plan annually for Congress to review. Werfel said transparency is important and an annual update is reasonable, but that he would want to talk with IRS employees to determine their thinking on the issue. Thune said the IRA would dedicate \$46 billion toward enforcement and only a small portion toward the filing claims of ordinary taxpayers. He said improving services should be the number one priority.

Senator Marsha Blackburn (R-TN) expressed concern about the recently announced Service Industry Tip Compliance Agreement (SITCA) program, a voluntary tip reporting program between the IRS and employers in various service industries.

Senator Sheldon Whitehouse (D-RI) asked if Werfel is in favor of a “reciprocal FATCA” and said he is drafting a reciprocal FATCA statute. Werfel said the Foreign Account Tax Compliance Act (FATCA), which generally requires that foreign financial Institutions and certain other non-financial foreign entities report on the foreign assets held by their US accountholders or be subject to withholding, was already on the books when he served as acting commissioner in 2013. (According to the CRS, FATCA does not have full reciprocity in information sharing: The IRS receives more information on US owners of foreign accounts than other countries receive on foreign owners of US accounts, and legislation would be required to authorize the collection of the data needed for full reciprocity, including account balances and beneficial owners.)

Senator Elizabeth Warren (D-MA) praised the IRA’s 15% corporate alternative minimum tax (CAMT), a concept she advocated going back to the 2020 presidential election, and new IRS funding. She noted that the first thing House Republicans did upon taking control of the chamber was repeal IRS funding, and she asked whether that would make it harder or easier for billionaires to cheat on taxes. Werfel said that would appear to result in more tax cheating. Senator Warren also criticized the Republican proposal for a Fair Tax Act, a 30% national sales tax. She also said without the TCJA and Republicans slashing audit rates for billionaires, the nation wouldn’t have even hit the debt limit in the first Biden term.

Materials from the hearing are at: <https://www.finance.senate.gov/hearings/hearing-to-consider-the-nomination-of-the-honorable-daniel-i-werfel-of-the-district-of-columbia-to-be-commissioner-of-internal-revenue-for-the-term-expiring-november-12-2027>