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March 25, 2025

The Honorable Scott Bessent
Secretary
U.S. Department of the Treasury
1500 Pennsylvania Avenue, NW
Washington, D.C. 20220

Dear Secretary Bessent,

With Tax Day quickly approaching, I write to alert you to three issues that you should prioritize fixing at the Internal Revenue Service (IRS)—Americans' least favorite government agency¹—so that tax season can be as painless as possible.

First, as you know, targeting, leaks, and weaponization are ongoing concerns at the IRS. This is especially true since the Lois Lerner scandal, a dark chapter in the agency's history, where Congress found that, as director of Exempt Organizations, Ms. Lerner systematically denied tax-exempt status to conservative groups.

Unfortunately, the Biden administration picked up right where Ms. Lerner and her team left off. On September 20, 2023, then-Commissioner Daniel Werfel announced, with language that resembled Democrat talking points,^{2,3} the creation of a duplicative new work unit to specifically audit pass-through businesses and partnerships. The new office subjects these businesses to potentially two separate IRS examinations in the same year.

One would think Commissioner Werfel would go to great lengths to avoid harkening back to previous scandals. Instead, he thumbed his nose at taxpayers by placing Lois Lerner's deputy—Holly Paz—at the helm. The associated press release caused even more concern by touting this

¹ Cerda, Andy, *Americans see many federal agencies favorably, but Republicans grow more critical of the Justice Department*. Pew Research, August 12, 2024. <https://pewrsr.ch/3ZynD4u>.

² Senator Elizabeth Warren (@ewarren), X, March 12, 2025, <https://x.com/ewarren/status/1899839548219142647>. Accessed March 21, 2025.

³ Internal Revenue Service, *Release IR-2023-176*. Internal Revenue Service, September 20, 2023. <https://www.irs.gov/newsroom/irs-to-establish-special-pass-through-organization-to-help-with-high-income-compliance-efforts-new-workgroup-to-blend-current-employees-and-new-hires-to-focus-on-complex-partnerships-other-key-areas>.

new office’s coordination with the National Treasury Employees Union (NTEU),⁴ the same union now suing the Trump administration.^{5,6,7}

Instead of maintaining the appearance of professional objectivity, Ms. Paz’s team has made tongue-in-cheek political comments, including “some people are congratulating us [and] some are trying to stop us and make basis great again,” an obvious reference to President Trump’s campaign slogan.⁸ Team members have also undermined their appearance of impartiality by comparing legally acceptable transactions to obscene material, saying “It’s one of those ‘You know it when you see it,’”⁹ a joking reference to Justice Stewart’s attempt to define pornography in his concurrence in *Jacobellis v. Ohio*.¹⁰

It’s more than what appears to be rank partisanship. This team is reportedly acting independently and duplicating existing IRS processes, wasting taxpayer money, and not coordinating with the pre-existing offices. Most concerning of all, the new pass-through auditors even use a new template for requesting taxpayer information they’ve deemed “The Art of the IDR,” which treats taxpayers as guilty until proven innocent.¹¹

Second, while the Biden-run IRS doubled down on going after politically disfavored taxpayers, they were completely unable to ensure tax compliance among their own employees—or others across the federal government. In 2023, the Treasury Inspector General for Tax Administration (TIGTA) reported that “42,000 Federal civilian employees repeatedly failed to file a tax return for multiple years,” a “brazen form of noncompliance, particularly when it is done by Federal employees.”¹² TIGTA emphasized, and I agree, “like all taxpayers, Federal employees and retirees have a legal obligation to file tax returns and pay their taxes. However, Federal employees are held to a higher standard for a number of reasons, including that they draw their compensation and funds from Federal taxes. As the agency primarily responsible for

⁴ Internal Revenue Service, *Release IR-2023-176*. Internal Revenue Service, September 20, 2023. <https://www.irs.gov/newsroom/irs-to-establish-special-pass-through-organization-to-help-with-high-income-compliance-efforts-new-workgroup-to-blend-current-employees-and-new-hires-to-focus-on-complex-partnerships-other-key-areas>

⁵ *National Treasury Employees Union v. Donald J. Trump, Charles Ezell, et.al.* Case 1:25-cv-00170 (D.D.C., filed Jan. 20, 2025).

⁶ *National Treasury Employees Union v. Donald J. Trump*. Case 1:25-cv-00420 (D.D.C., filed Feb. 12, 2025).

⁷ *National Treasury Employees Union v. Russell Vought*. Case 1:25-cv-00381-ABJ (D.D.C., filed Feb. 13, 2025).

⁸ Kristen A. Parillo, *IRS ‘as Surgical as Possible’ on Partnership Basis Shifting*, 184 Tax Notes Federal 2372 (Sept. 16, 2024).

⁹ Kristen A. Parillo, *‘Substantially Similar’ Rule for Basis Shifting Explained*, 185 Tax Notes Federal 169 (Oct. 7, 2024).

¹⁰ *Jacobellis v. State of Ohio*, 378 U.S. 184 (1964).

¹¹ George M. Clarke, Joseph B. Judkins, and Joy A. Williamson, *Space Oddity: IRS Exceeds Its Orbit of Authority for Partnerships*, Tax Notes Federal, Aug. 19, 2024, p. 1465 – see Appendix for a copy of the passthrough team’s “Art of the IDR” memo.

¹² Treasury Inspector General for Tax Administration, *The IRS Has Not Adequately Prioritized Federal Civilian Employee Nonfilers*. TIGTA Report 2023-30-011, March 6, 2023. <https://www.tigta.gov/sites/default/files/reports/2023-03/202330011fr.pdf>.

administering Federal tax law, the IRS must ensure that Federal employees comply with the tax law in order to maintain the public's confidence.”¹³

Just last year, in response to my request, TIGTA again reported there were more than 5,800 IRS employees and contractors who owed more than \$50 million in back taxes.¹⁴ It also reported that while the IRS terminated 20 tax cheats, the agency and its contractors *re-hired* nearly 300 former employees who had been let go for issues like criminal misconduct, sexual misconduct, inability to perform duties, fighting and assault, and unauthorized access to tax return information.¹⁵ In the era of DOGE, I hope the IRS can get its own house in order, before going after private citizens.

Finally, speaking of DOGE, for years the IRS has been using antiquated systems while spending on IT has lacked common sense. About a third of IRS applications, a quarter of software, and about 10 percent of hardware are legacy systems.¹⁶ Meanwhile, the IRS reported spending \$3.6 billion in Fiscal Year 2022 on IT.¹⁷ At the same time, GAO reported that “[the IRS] does not track specific costs for legacy assets. Instead, the agency categorizes its costs into cost pools and IT towers.”¹⁸ Pouring that type of money down the drain to maintain legacy systems is so crazy, only the federal government could get away with doing it.

Get an EIN

Get your EIN straight from the IRS in minutes.

[Apply for an EIN](#)

Availability

This tool is available Monday to Friday, 7 a.m. to 10 p.m. Eastern time.

Daily limit

You can apply for **only 1 EIN** per responsible party per day.

See Screenshot from March 19, 2025 (<https://shorturl.at/IXvbi>).

¹³ Treasury Inspector General for Tax Administration, *The IRS Has Not Adequately Prioritized Federal Civilian Employee Nonfilers*. TIGTA Report 2023-30-011, March 6, 2023.

<https://www.tigta.gov/sites/default/files/reports/2023-03/202330011fr.pdf>.

¹⁴ Treasury Inspector General for Tax Administration, *Ninety-Five Percent of IRS and Contractor Employees Were Tax Compliant; However, There Were Some Tax Delinquencies or Prior Conduct/Performance Issues*. TIGTA Report 2024-100-033, July 24, 2024. <https://www.tigta.gov/sites/default/files/reports/2024-07/2024100033fr.pdf>.

¹⁵ *Id.*

¹⁶ Government Accountability Office, *IRS Needs to Complete Modernization Plans and Fully Address Cloud Computing Requirements*. GAO-23-104719, January 2023. <https://www.gao.gov/assets/gao-23-104719.pdf>.

¹⁷ *Id.*

¹⁸ *Id.*

In fact, the agency's IT is so bad, small business owners applying for an employer identification number (EIN) can only access the online tool from "Monday to Friday, 7. a.m. to 10 p.m. Eastern time."¹⁹

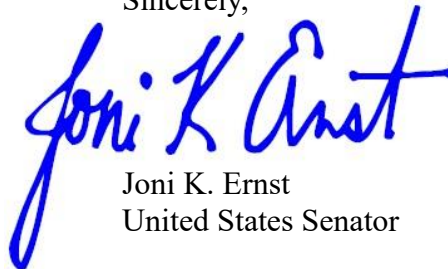
How can it be that in 2025, with so much money spent on IT, an online tool is not available 24/7? Are there live IRS agents on the other end to receive applications? If so, are they paid up on their taxes?

Americans, and their elected representatives in Congress, have lost confidence in the IRS.²⁰ But you have a unique opportunity to address these issues, which can be accomplished without any changes in law. I ask that you,

1. Eliminate the duplicative auditing of all taxpayers and entities, including passthroughs;
2. Hold all federal employees, especially IRS employees, to the same personal tax compliance standards as the Americans they audit; and,
3. Perhaps most urgently, please review the EIN online application tool and make it available to the public at all times.

Thank you for your time and attention to this letter. If you have questions or concerns, please feel free to reach out to me or my staff at (202) 224-3254.

Sincerely,



Joni K. Ernst
United States Senator

¹⁹ Internal Revenue Service, *Get an employer identification number*, Internal Revenue Service, <https://www.irs.gov/businesses/small-businesses-self-employed/get-an-employer-identification-number>. Accessed March 21, 2025.

²⁰ Cerda, Andy, *Americans see many federal agencies favorably, but Republicans grow more critical of the Justice Department*. Pew Research, August 12, 2024. <https://pewrsr.ch/3ZynD4u>.