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July 29, 2024

Honorable Daniel I. Werfel Commissioner Internal Revenue Service 1111 Constitution Avenue, NW Washington, DC 20224

Dear Commissioner Werfel,

Thank you for committing to "trying to rebuild trust" in the IRS by holding the agency "accountable to taxpayers." Today is a great day to demonstrate the seriousness of that pledge by making the thousands of tax-evading tax collectors at the IRS either pay up or pack up.

As you are aware, the Treasury Inspector General for Tax Administration (TIGTA) completed an investigation at my request that has identified thousands of IRS employees who owe tens of millions of dollars in unpaid taxes.

Some of the alarming highlights of the audit of the IRS include:<sup>2</sup>

- Collectively, more than 5,800 employees of the IRS and its contractors were found to owe nearly \$50 million in overdue taxes.
- Of the 3,323 IRS employees with unpaid taxes 2,044 owing more than \$12 million were not on a payment plan.
- Of the 2,484 IRS contractor employees with unpaid taxes, 1,729 owing more than \$17 million were not on a payment plan.
- Despite the IRS having the statutory authority to terminate employees who willfully fail to file tax returns or understate their tax liability, just 20 employees found to be tax cheats were removed as a result.

<sup>&</sup>lt;sup>1</sup> "Commissioner Danny Werfel 1-year anniversary speech: The future IRS – Transforming for a digital world," IRS website, March 25, 2024; <a href="https://www.irs.gov/newsroom/commissioner-danny-werfel-1-year-anniversary-speech-the-future-irs-transforming-for-a-digital-world">https://www.irs.gov/newsroom/commissioner-danny-werfel-1-year-anniversary-speech-the-future-irs-transforming-for-a-digital-world</a>.

<sup>&</sup>lt;sup>2</sup> "Ninety-Five Percent of IRS and Contractor Employees Were Tax Compliant; However, There Were Some Tax Delinquencies or Prior Conduct/Performance," Treasury Inspector General for Tax Administration, July 24, 2024; <a href="https://www.tigta.gov/">https://www.tigta.gov/</a>.

Over 500 former IRS employees with tax compliance issues or conduct and performance
problems, including criminal misconduct, sexual misconduct, inability to perform duties,
fighting and assault, and unauthorized access to tax return information, have been rehired
by the agency and its contractors. Of these, 282 rehires had *multiple* previously
documented conduct and performance issues.

Government-wide, TIGTA found 149,000 federal employees owe an astounding \$1.5 billion in unpaid taxes. Tens of thousands are repeat tax cheats, failing to file tax returns year after year, and the number is steadily increasing.<sup>3</sup>

The Biden-Harris administration's so-called "Inflation Reduction Act" provided "\$80 billion in additional funding to the IRS, much of which is dedicated to closing the tax gap by specifically enforcing tax compliance." The White House claims "one of the most important ways that President Biden has added real fairness to the tax code is by providing the Internal Revenue Service (IRS) with the resources they need" for "enforcing tax compliance." <sup>4</sup>

There is absolutely nothing fair about forcing hardworking Americans to pay the salaries of taxevading tax collectors while the IRS targets lower-income<sup>5</sup> and middle-class Americans with nearly two-thirds of the new audits.<sup>6</sup>

While the IRS warns, "tax evasion is a serious crime punishable by imprisonment, fines, and the imposition of civil penalties," the agency is doing nothing to punish the criminals on its own payroll. You currently have the authority to terminate employees for willful violations of tax law but aren't doing so.

Surely the irony and hypocrisy can't be missed here: taxpayers are being forced to pay billions more to the IRS to audit America while the agency won't even collect the tens of millions of dollars in unpaid taxes owed by its employees.

Taxpayers will never trust the IRS when the agency's own auditors can't even pass a tax audit.

https://www.wsj.com/articles/irs-tax-collectors-audit-middle-class-tigta-5071d622?mod=hp opin pos 1.

<sup>&</sup>lt;sup>3</sup> "The IRS Has Not Adequately Prioritized Federal Civilian Employee Nonfilers," Treasury Inspector General for Tax Administration; March 6, 2023; <a href="https://www.tigta.gov/sites/default/files/reports/2023-03/202330011fr.pdf">https://www.tigta.gov/sites/default/files/reports/2023-03/202330011fr.pdf</a>.

<sup>4</sup> "Empowering the IRS: Understanding the Full Potential of the Inflation Reduction Act's Historic Investment in the Internal Revenue Service," The White House, February 8, 2024; <a href="https://www.whitehouse.gov/cea/written-materials/2024/02/08/empowering-the-irs-understanding-the-full-potential-of-the-inflation-reduction-acts-historic-investment-in-the-internal-revenue-service/">https://www.whitehouse.gov/cea/written-materials/2024/02/08/empowering-the-irs-understanding-the-full-potential-of-the-inflation-reduction-acts-historic-investment-in-the-internal-revenue-service/">https://www.tigta.gov/sites/default/files/reports/2023-03/202330011fr.pdf</a>.

<sup>&</sup>lt;sup>5</sup> "IRS Audits Few Millionaires But Targeted Many Low-Income Families in FY 2022," Transactional Records Access Clearinghouse at Syracuse University, January 4, 2023; <a href="https://trac.syr.edu/reports/706/">https://trac.syr.edu/reports/706/</a>.

<sup>&</sup>lt;sup>6</sup> "IRS's Most Wanted: The \$200,000 Man," The Wall Street Journal, April 2, 2024;

<sup>&</sup>lt;sup>7</sup> "Anti-tax law evasion schemes - Talking points," IRS website, March 29, 2024;

https://www.irs.gov/businesses/small-businesses-self-employed/anti-tax-law-evasion-schemes-talking-points.

8 Section 1203 of the Internal Revenue Service Restructuring and Reform Act of 1998 (Public Law 105-206, 112 Stat. 685) directs the IRS to terminate an employee for willfully failing to file a tax return or understating tax liability but provides the commissioner with the discretion to mitigate the penalty.

https://www.congress.gov/105/plaws/publ206/PLAW-105publ206.pdf.

To ensure the IRS is tax compliant, I am proposing the *Audit the IRS Act* requiring regular tax audits of agency employees and prohibiting the IRS from hiring or continuing to employee tax evaders. I welcome your support for this bill that strengthens your ability to collect billions of dollars in unpaid taxes.

I would also like to know what actions you are taking to ensure 100 percent tax compliance by IRS employees and contractors. To hold the IRS accountable and to demonstrate the agency takes its own warning that "tax evasion is a serious crime," I would strongly urge you to routinely check the tax status of every employee and fire every employee and contractor who is delinquent on their taxes and not enrolled in a payment plan. Repeat offenders should be referred to the Department of Justice and "subjected to imprisonment, fines, and the imposition of civil penalties," the penalties listed as punishment for tax evasion on the IRS's website.

Thank you for your attention to this matter.

Sincerely,

Joni K. Ernst

United States Senator