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United States Senate

COMMITTEE ON FINANCE

WASHINGTON, DC 20510-6200

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September 2, 2015

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

Dear Commissioner Koskinen:

As you are well aware, the FY 2015 budget for the Internal Revenue Service (IRS) was nearly 10 percent lower than its funding level in the FY 2010 budget – and 17 percent lower adjusting for inflation, according to the National Taxpayer Advocate. The Consolidated and Further Continuing Appropriations Act FY 2015, passed December 11, 2014, further cut the Service's budget by \$346 million. Finally, the FY 2016 Financial Services & General Government Appropriations Bill proposes an additional cut of \$470 million, while also increasing taxpayer services by \$90 million – meaning the agency must absorb \$560 million of cuts in its other mission-critical areas.

This reallocation of agency resources away from enforcement and information technology (IT) systems modernization is very troubling. In particular, IRS estimates that \$5.10 of taxes owed are collected for every \$1 spent on enforcement. Cutting enforcement spending, such as by performing fewer audits, will embolden tax cheats and increase deficits, heaping a new burden onto the backs of honest taxpayers. Furthermore, cutting funding intended to modernize the agency's 1960s-era IT systems makes it easier for fraudsters to steal taxpayers' identities or hack into IRS computers. We should therefore expect a surge in both the number of fraudulent tax returns filed using stolen taxpayer identities and the frequency of cyberattacks launched by foreign crime syndicates on the IRS. This will likely fuel a dangerous cycle that leads to even more refund fraud in the future. Shouldn't the American public view diminished enforcement and reduced IT spending for what they really are: tax cuts for tax cheats and kickbacks to crime syndicates?

Such cyberattacks are already affecting other Federal agencies, hitting the Office of Personnel Management (exposing the personal information of an estimated 21 million people), as well as the Department of State, the White House, and other executive branch agencies within the last year or so. And federal agencies are not the only organizations targeted, with millions of private sector victims of customer information data breaches at companies like Anthem, Home Depot, Target, and Intuit. Viewed properly, the collective hacking of private and public databases to steal identities for financial gain and possible blackmail should be viewed as an attack on our homeland. I do not know any member of Congress who would respond to an attack on the nation by cutting resources to the agencies or persons who were the targets of the attack. Indeed,

Congressional Appropriators have recommended increasing spending for the Department of Homeland Security and the Office of Personnel Management as a response to these attacks. Shouldn't the resources made available to the IRS be similarly increased in response to cyber threats?

The President's budget for fiscal year 2016 requests a sensible increase to the IRS budget that restores recently-lost resources and prevents the agency from having to choose between being taxpayer responsive during the filing season and defending taxpayer information from fraudsters. Congress ought to increase resources to the IRS if it expects the agency to bring its antiquated computer systems into the 21st century to prevent these criminal attacks going forward. Cutting resources to the IRS and similarly-affected government agencies could essentially hand tax cheats and foreign crime syndicates the financial keys to the country.

I would like to receive a response letter from the IRS that addresses these matters, particularly the two questions posed above, by October 2, 2015.

Sincerely,

A handwritten signature in black ink that reads "Ron Wyden". The signature is written in a cursive, slightly slanted style.

Ron Wyden
Ranking Member