

**Hearing with the IRS Commissioner on the 2021 Filing
Season**

HEARING

BEFORE THE

SUBCOMMITTEE ON OVERSIGHT

OF THE

COMMITTEE ON WAYS AND MEANS

U.S. HOUSE OF REPRESENTATIVES

ONE HUNDRED SEVENTEETH CONGRESS

FIRST SESSION

March 18, 2021

COMMITTEE ON WAYS AND MEANS
Subcommittee on Oversight
Hearing with IRS Commissioner on the 2021 Filing Season
March 18, 2021
Witness List

The Honorable Charles Rettig, Commissioner, Internal Revenue Service



HOUSE COMMITTEE ON WAYS & MEANS
CHAIRMAN RICHARD E. NEAL

ADVISORY

FROM THE COMMITTEE ON WAYS AND MEANS SUBCOMMITTEE ON OVERSIGHT

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Chair Pascrell Announces Oversight Subcommittee Hearing with the IRS Commissioner on the 2021 Filing Season

House Ways and Means Oversight Subcommittee Chair Bill Pascrell, Jr. announced today that the Subcommittee will hold a hearing entitled “Hearing with the IRS Commissioner on the 2021 Filing Season” on Thursday, March 18, 2021 beginning at 2:00 PM EDT. The hearing will take place in 1100 Longworth House Office Building in addition to being accessible via CISCO Webex.

Pursuant to H. Res. 8, Members are encouraged to participate remotely in this hearing. Members will be provided with instructions on how to participate via the Cisco Webex platform in advance of the hearing. Members of the public may view the hearing via live webcast available at <https://waysandmeans.house.gov/>. The webcast will not be available until the hearing starts.

In view of the limited time available to hear witnesses, oral testimony at this hearing will be from the invited witness only. However, any individual or organization not scheduled for an oral appearance may submit a written statement for consideration by the Committee and for inclusion in the printed record of the hearing.

DETAILS FOR SUBMISSION OF WRITTEN COMMENTS:

Please Note: Any person(s) and/or organization(s) wishing to submit written comments for the hearing record can do so here: WMdem.submission@mail.house.gov.

Please ATTACH your submission as a Word document, in compliance with the formatting requirements listed below, **by the close of business on Thursday, April 1, 2021.**

For questions, or if you encounter technical problems, please call (202) 225-3625.

FORMATTING REQUIREMENTS:

The Committee relies on electronic submissions for printing the official hearing record. As always, submissions will be included in the record according to the discretion of the Committee. The Committee will not alter the content of your submission, but reserves the right to format it according to guidelines. Any submission provided to the Committee by a witness, any materials submitted for the printed record, and any written comments in response to a request for written comments must conform to the guidelines listed below. Any submission not in compliance with these guidelines will not be printed, but will be maintained in the Committee files for review and use by the Committee.

All submissions and supplementary materials must be submitted in a single document via email, provided in Word format and must not exceed a total of 10 pages. Witnesses and submitters are advised that the Committee relies on electronic submissions for printing the official hearing record.

All submissions must include a list of all clients, persons and/or organizations on whose behalf the witness appears. The name, company, address, telephone, and fax numbers of each witness must be included in the body of the email. Please exclude any personal identifiable information in the attached submission.

Failure to follow the formatting requirements may result in the exclusion of a submission. All submissions for the record are final.

ACCOMMODATIONS:

The Committee seeks to make its facilities and events accessible to persons with disabilities. If you require accommodations, please call (202) 225-3625 or request via email to WMDem.Submission@mail.house.gov in advance of the event (four business days' notice is requested). Questions regarding accommodation needs in general (including availability of Committee materials in alternative formats) may be directed to the Committee as noted above.

Note: All Committee advisories and news releases are available at <https://waysandmeans.house.gov/>

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HEARING WITH THE IRS COMMISSIONER

ON THE 2021 FILING SEASON

Thursday, March 18, 2021

House of Representatives,

Subcommittee on Oversight,

Committee on Ways and Means,

Washington, D.C.

The subcommittee met, pursuant to call, at 2:07 p.m., via Webex, Hon. Bill Pascrell [chairman of the subcommittee] presiding.

*Mr. Pascrell. Good morning, and welcome. I call to order the Subcommittee on Oversight and thank everyone from meeting here. We are holding this hybrid hearing in compliance with the House Resolution No. 8. Accordingly, I am joined by members here in the hearing room as well as members on the remote platform.

Before we turn to today's important topic, I want to remind members of a few procedures to help you navigate this hearing. First, consistent with regulations, the committee will keep microphones muted to limit background noise. Members are responsible for unmuting themselves when they seek recognition or when recognized for their five minutes.

Second, when members are present in the proceeding, they must have their cameras on. So if you need to step away to attend another proceeding, please turn your camera and audio off rather than logging out of the platform.

Third, we will dispense with our practice of observing the Gibbons Rule and instead go in order of seniority for questioning, alternating between majority and minority beginning with members of the oversight committee.

Finally, without objection, Representative Evans is authorized to serve as chair in the event I need to step away from the hearing.

I thank all of you for continued patience as we navigate these procedures to continue serving our country together in this great time of need. And with this, I will now turn to the important topic of today's hearing, the IRS 2021 filing season.

Good afternoon, everyone, and welcome to our second hearing of the oversight committee in the 117th Congress. Today's hearing could not be timelier. The Commissioner of IRS, Charles Rettig, is testifying today on the 2021 filing season. I welcome him here before this committee again.

This is a usual subject of oversight by our panel, but there is nothing normal about this year's filing season for either taxpayers or the IRS. The pandemic created chaos for taxpayers trying to prepare

their returns. It has created disorder for the IRS, which is still having a difficult time answering taxpayers' questionnaires and simply processing their returns.

When the pandemic first struck one year ago, the IRS wisely extended the filing deadline to July 15. This was necessary to aid taxpayers in addressing the unprecedented disruption caused by the pandemic. It also allowed the IRS to address the additional burden it faced in disbursing the first round of stimulus checks.

I am pleased that after several letters, after discussions with the Oversight Subcommittee and our House colleagues, the commissioner has agreed that the deadline needs to be extended. The move on that deadline is Monday, May 17th, which is correct, Commissioner?

We will continue to consult with the commissioner and will monitor IRS activities as the filing season progresses to determine if more time might be necessary. But for now, I appreciate the commissioner's willingness to heed our calls for relief for our constituents.

We also asked the commissioner why millions of struggling families never received their first two rounds of direct checks from the COVID relief packages. We need to understand why to make sure that this does not happen again in that the third round, just enacted in the American Rescue Plan.

The commissioner must also update us on the status of the gigantic backlog. This includes 2019 returns filed last year. These returns must be processed now so taxpayers can get the money they are owed. Many of these taxpayers have been receiving erroneous notices saying they have not timely filed. We have demanded that these notices must stop, but we keep hearing horror stories of the IRS sending confusing, incorrect notices to struggling taxpayers.

I am also looking forward to resuming my discussion with the commissioner about the two-tier tax system that has developed at the IRS, one for the wealthy and another one for the average American taxpayer. The IRS audits poor people for spare change while multimillionaire scofflaws loot the Treasury. I am anxious to learn in detail how efforts are proceeding on increasing audits of high income and high wealth taxpayers.

Finally, I hope the commissioner can update us on when the administration will transmit Donald Trump's tax returns to this committee pursuant to the committee's request and the clear and the law, 6103. Our request has languished for over 23 months.

Let me turn now to the ranking member, Mr. Kelly, for his opening remarks. Mr. Kelly, you are recognized for five minutes. Michael, go ahead.

*Mr. Kelly. Thank you, Mr. Chairman. And Commissioner Rettig, thank you so much for being here today. I can't emphasize enough how much we appreciate the work that you have, and the men and women of the IRS, under incredibly difficult times. And you and I have talked about this before. I know you have about 80,000-plus people working, and they are working in the best interests of everyone in the United States. So I really appreciate that.

Now, with having said that, I want -- I think you would want to acknowledge that the IRS still faces several challenges this tax season, and I have concerns about how the agency plans to address the commissioner. Let me say, to start out, that I am most concerned about the current backlog of unprocessed tax returns for people who filed their taxes last year. And it is my understanding that there are 2.2 million individual returns and 4.4 million business returns received last year that are still waiting to start processing, and millions more remain in the processing pipeline due to error resolutions and other issues.

That means millions of taxpayers are still awaiting refunds for tax returns they may have filed as far back as March and April last year. Given that this backlog may not be resolved until well into this year, I am concerned about the agency's ability to handle last year's backlog while also having to work through another difficult filing season this year.

Now, I understand that you have announced an extension of the filing season by 30 days. I hope to hear more about your plan and how you will use those 30 days to work through this backlog and get our tax system back on a normal schedule as soon as possible. I do worry that further delays could lead to a backlog at the end of this year and turn this into a vicious cycle that we will never get out of.

Now, whenever we have an IRS-related hearing, we are always told that the IRS needs additional funding. And it is true that Congress has added to the agency's responsibility over the last year with bipartisan COVID relief bills and now the Democrats' partisan \$1.9 trillion bill that has very little to do with COVID. In fact, only nine cents of every dollar is actually going to COVID relief. So you have got to scratch your head and wonder, how do you come up with that formula? But that is the world we live in.

It is worth acknowledging where things stand with the IRS funding. The IRS budget was increased \$400 million for fiscal year 2021, and in the last year the IRS has received an additional \$3.1 billion in appropriations through the COVID relief bills and the Democrats' partisan bill. Now, I know every agency would like as much funding as they can get. I understand that. But it is also clear to me that at this stage, the challenges the IRS faces right now will not be solved with just more money.

There are also a few other issues I would like to discuss. The first is customer services. One of the main goals of the Taxpayer First Act was to improve IRS's customer service. Unfortunately, I have heard from many constituents that the phone lines at the IRS are jammed up. And I would like to say for most of us that serve in Congress right now, our offices in our home districts have become an extension of the IRS as we receive hundreds and thousands of phone calls from people trying to work through the different packages that are available to the commissioner.

Now, when you talk about customer service, I offered an amendment during the markup of the last COVID package. And last year the IRS was overwhelmed with phone calls about economic impact payment issues, and while we hope some of those issues have been cleared up, we can expect that taxpayers will still have significant customer service needs at the IRS at the end of this year.

My amendment would have required the IRS to establish a dedicated customer service program to receive claims of missing or incorrect payments and to conduct case work until those claims are resolved. It may also be necessary to extend this program to 2019 refunds that taxpayers are still waiting on through no fault of their own. This would also ease the flood of calls that are coming to our offices about EIPs.

I would like to note that at the markup, Chairman Neal agreed to work with me on a much-needed bill focused on customer service. So I would like to discuss some of your ideas to improve the customer service experience for taxpayers and the IRS employees. I know that is a goal of yours since you first came on board. You have always talked about working with your staff to serve the needs of the American people. So I want to commend you for that, and all members of your staff. They are great.

Lastly, I have concerns about the employee retention tax credit and whether money is actually reaching the business owners it was intended to help. It is my understanding that millions of business owners, like Mario's Pizza in my district, filed the forms required for this credit, and they are still waiting for their refund. Some of these forms date back to April of 2020. These folks can't wait that long, and Congress should not intend for the commissioner to wait that long.

But I want to tell you, the way you all have been able to work from home and do the things you are doing without all the things you would have to do when you are in the office, I don't know how you have done it all. I really don't. And I know we have questions about it, and we want to know what we can do to help our constituents. But it really is a problem, just the immensity of what we are trying to do.

And I would point out to everybody, there is not another country in the entire world that could do what America has done during this pandemic. It is incredible. While we find fault with a lot of things, I don't know that anybody could say, I think they are doing it better here or they are doing it better there. The job that we have done has been incredible.

I wish we would have done the last bill in a more bipartisan way, but for some reason, we just could not get there. I would have loved to see us get there, but we just were not asked to participate.

So look, we have a lot to go over today. I personally -- the chairman and I get along on everything as long as we are outside of Congress. I don't know that looking at the 45th President of the United States' tax returns are really critical during a pandemic and all the other things that we have going on. Loss of life, loss of businesses, just total confusion and anger throughout the country -- I think

I would rather work on something that was productive and something that told the American people we are going to stop all this crazy stuff you hear.

Now, I tell people, turn off the news. Don't watch it. Don't worry about the ping pong matches taking place or the tennis match. Why don't you look at whatever it is that represents you and understand that each of us represents almost -- over 700,000 people. I don't know how those people are registered or how they vote, but I know we represent the commissioner here in the Congress, and I think we could spend our time much better on what actually addresses the problems and get the hell away from this political situation where we have to bash. We can't do anything forward.

I want to see more progressive things moving forward -- not progressive in the way some people thinking, but progressive in the way we actually help the American people. This committee's responsibility is oversight, and I have always thought of us, when Mr. Lewis was here, we are the strongest advocates for the American people when it comes to their taxes.

So I think that is the goal we should have, and that is the way we should move forward. And I am looking forward to hearing from you today. But again, I want to thank you and all of the people that you work with every day. I know how you treat the commissioner. You are a great leader. Thank you so much. And I yield back.

*Mr. Pascrell. Thank you, Mr. Ranking Member Kelly.

Without objection, all members' opening statements will be made part of the record.

We will next hear from our only witness, the IRS commissioner, Charles Rettig. Again, thank you for being here. Your opening statement will be made a part of the record in its entirety. I ask that you summarize your testimony in five minutes or less. To help you with that time, please keep an eye on the clock and the lights in front of you. If you do go over your time, I will certainly mention it to you.

Commissioner, you may begin. Thank you again for being here.

STATEMENT OF CHARLES P. RETTIG, COMMISSIONER, INTERNAL REVENUE SERVICE

*Mr. Rettig. Chairman Pascrell, Ranking Member Kelly, and members of the subcommittee, thank you for the opportunity to discuss the current filing season and our efforts to help taxpayers during the COVID-19 pandemic.

Before I begin, I want to thank Congress, especially the members of the Ways and Means Committee, for working with us during drafting of the recently enacted stimulus package. Making a package administrable by the tax administrator is critical, and our involvement and our participation was welcomed by every employee at the Internal Revenue Service. I want to thank you for providing the IRS with resources to enable us to implement the tax-related provisions of the American Rescue Plan.

It will take time to overcome the challenges of the past decade, and the agency will continue to struggle to replace attrition, expand our workforce, support implementation of our multi-year integrated business modernization plan as designed, and to continue enhancing meaningful service and compliance efforts.

Turning to the 2021 tax filing season, employees do report a successful opening of the filing season on Friday, February 12th. Over that first weekend, we received 55 million submissions, which includes federal individual returns as well as state returns that we are called upon to process as well as returns filed by businesses. At the peak of that weekend, we were receiving 335 submissions per second.

The filing season continues to go smoothly in terms of tax return processing and the operation of our IT systems. Through March 12th, the IRS has received more than 66 million individual federal tax returns, issued more than 42 million refunds totaling more than \$126 billion.

We opened the filing season slightly later than in previous years to give us time to do additional programming and testing of our systems following the December 27 enactment of tax law changes that

provided for the second round of EIPs and other significant benefits.

Importantly, the later start to the filing season did not add any delays to refunds on returns claiming the EITC and the additional child tax credit. By law, the IRS cannot issue these refunds before February 15. This filing season, the IRS released refunds for EITC and ACTC returns on February 16 and February 18. Those refunds were promptly available in taxpayer bank accounts if they chose direct deposit and there were no other issues with their return.

During the filing season, we realize how important it is for taxpayers who have questions to be able to reach us by phone, and we are working hard to improve our phone level of service. We faced and continue to face enormous challenges. On occasion, we did not get it right but we should have, and we accept that responsibility and I accept that responsibility.

There was no way for anyone -- the IRS, anyone in the government, anyone in the private sector -- to predict the level of death and spread of the pandemic. When we were submitting our congressional budget justification level of service, which applied to this year but is submitted effectively two years in advance, the impact of the pandemic -- that the pandemic would have on our call volume, our filing season, and our hiring -- was a complete unknown.

That budget, which is our level of service, which is essentially for most people to think of the volume of telephone calls we are able to answer, was determined before there was a pandemic, before there was an EIP-1, before there was an EIP-2, before there was an EIP-3, and before all the other challenges that the IRS proudly acceptance and assumes and proudly assumes the responsibility to handle.

We are still working through the impacts of COVID-19, which created staffing shortages and closures at the same time. We have been experiencing higher than expected call demand for the reasons I previously indicated, with an increase in call handling time.

Our employees are spending an additional three or four minutes per telephone call received, which is caused, we believe, by the greater call complexity due to the economic impact payments and

other recent tax changes. However, I and other leaders at the Internal Revenue Service have encouraged our employees to spend that additional time.

With respect to unemployment insurance benefits, we believe that we will be able to monitor and we will be able to announce that individuals will not have to file amended returns to take the exclusion for the \$10,200 per person. We hope to be able to announce that in the near future.

IRS employees worked since last March to perform for the people in this country. In total, between EIP-1, EIP-2, EIP-3, and refunds to individuals, during the pandemic when we shut down we switched to a virtual environment. We brought our people back on site. IRS and Treasury employees have delivered approximately \$980 billion to individuals during the pandemic. We are very proud of that fact.

We are honored to have the opportunity to serve the people of this country. If called upon again, we will again step in and meet those challenges. And I will say that we will do so proudly.

Chairman Pascrell, Ranking Member Kelly, and members of the subcommittee, this concludes my statement, and I would be happy to take questions.

[\[The prepared statement of Mr. Rettig follows:\]](#)

*****COMMITTEE INSERT*****

*Mr. Pascrell. I will open the hearing for questions. Without objection, each member will be recognized for five minutes to question the witness. If the witness will respond with short and concise answers, all members should be able to ask questions.

As mentioned earlier, we will not observe the Gibbons rule, instead go in order of seniority, alternating between majority and minority, beginning with the members of the oversight committee. Members attending remotely are reminded to unmute yourselves when you are recognized for your five minutes. And I will begin by asking the first questions.

Commissioner, the Treasury Inspector General for Tax Administration reported that there are 12 million paper returns waiting to be processed by the IRS and another 12.5 million returns that have been held up during the processing. Alarming, it happens, and it appears that this backlog is growing.

How long do you estimate it will take the IRS to eliminate this 24-million-return backlog? So we are talking about the backlog here. When do you think, and what have you calculated?

*Mr. Rettig. Well, aren't in synch with the 24 million backlog. That would include business and other related returns. And typically, what we publish are returns for individuals. The individual numbers for returns filed prior to January 1 of this year is 2.4 million returns. The total that are in processing is 7.3 million returns.

And as we have discussed previously, one of the issues that we ran into with respect to the calls for the extension is our ability to actually get through the correspondence that we have so that we can actually look at the information taxpayers have provided us with respect to the approximately 5 million returns that are suspense.

So between 2019 and 2020, we have 5 million returns in process that we have looked at, that we have reached out to taxpayers either for additional forms, computations, consistency issues, identity theft issues, verification for the taxpayer -- everything that you would expect that we would do. That number is about 5 million, and we sent out and requested information from that pool of taxpayers.

Probably, we believe, some of those certainly would have sent correspondence back to us. We get about a million to a million and a half pieces of correspondence per week. We process about a million and a half pieces of correspondence per week. For that purpose, "process" means we open the correspondence. We input data. We transcribe. We transition to where it is supposed to go. So there is a delay.

One of the issues -- if I can carry on, sir?

*Mr. Pascrell. Sure.

*Mr. Rettig. One of the issues with respect to the extension of the tax filing season is we currently have 13,760 customer service representatives who answer the telephones for taxpayers who call in to the Internal Revenue Service. Under the most recent legislation, we got authority to bring on a thousand more. And again, this goes back to -- these numbers were determined before we got into the situation we got into this year.

So obviously, we got backed up on our calls. When we shut down, we got backed up on our mail. We got -- it is connected.

*Mr. Pascrell. Well, let me put it this way: How long is it going to take you to finish the backlog?

*Mr. Rettig. If we could get --

*Mr. Pascrell. That is pretty simple.

*Mr. Rettig. Each one of these cases is individual, so we kind of hesitate on saying that, actually to come out with a number. We would hope to be through this backlog by the summer. To the extent -- some we can resolve instantly. Some we can resolve -- it takes us a while to get from the taxpayer. If we have to send follow-up information to the taxpayer, that one would take longer.

Another question, sir, I think that you have that relates to this is our error resolution service, which is in Kansas City. And Kansas City, as you know, shut down with weather and some other issues.

We used to. The cases that went to error resolution used to be resolved within three to five business days, and it is now taking us 10 to 14 business days to get through those cases. So the best I can do, and I would tell you that most people inside the Internal Revenue Service would certainly prefer I not say this, but I would tell you the summer.

What I will tell you is our employees, with me as well, will work as hard as we possibly can work to get through this. The importance of getting through this is not lost on anyone in the Internal Revenue Service.

*Mr. Pascrell. I have never questioned the work of the workers.

*Mr. Rettig. I agree.

*Mr. Pascrell. For 24 years I have been here.

*Mr. Rettig. We appreciate you being a champion.

*Mr. Pascrell. In the place where you are the boss. What I would like to know -- let me, before I ask the question, I want to just -- quick answer would be "Fine" on this one.

The 24 million backlog, according to the TIGTA -- T-I-G-T-A -- both business and individual. The 24 million. That is quite a backlog. And that was in the report that you referred to before. That is a lot of backlog.

*Mr. Rettig. We always --

*Mr. Pascrell. This is reported in your report.

*Mr. Rettig. Agreed. But I believe the committee understands: We always have an inventory and it is a significant inventory. We are getting about 10 to 15 million returns per week, and that is just individual returns. When you add the business returns to that, we are going to have those kinds of numbers.

*Mr. Pascrell. Well, the question is, how many people do you need to do the backlog? I mean, I

think that is a reasonable question. How long is it going to take to get it done?

*Mr. Rettig. We have -- to give you an example --

*Mr. Pascrell. How do you ask for resources if you can't answer those questions?

*Mr. Rettig. To give you an example sir, we asked for 20,000 CSRs and we got 13,000. And that type of a ratio is consistent throughout our agency.

*Mr. Pascrell. Well, you have got the folks up here that are going to fight to make sure you have the resources. It is better for you if you tell us you know approximately how much time. I know one issue takes longer than another issue.

*Mr. Rettig. Correct.

*Mr. Pascrell. So my second question is this. High income taxpayers, those with over \$1 million in income, the audit average rates continue to fall more than any other category of taxpayers. A recent report within the TIGTA -- the report shows that the examination rate fell 75 percent from 2015 to 2019 to under 2.5 percent in 2019.

What percentage of those earning over \$1 million are going to be examined this year? Audited?

*Mr. Rettig. Since 2010, we have lost 15,000 enforcement personnel. The 2019 figure for people earning more than a million dollars is not the relevant figure. A tax return typically can be audited within three years. So the question, I believe, would be, of the pool of taxpayers in each of these categories -- over a million, over 5 million, over 10 million -- how many of them do we have actually open in examination, or have we closed the examinations? And that figure runs between 6 and 8 percent.

To come to 2010, when we had the more -- 15,000 more enforcement personnel. That figure for the over 10 million group was 23 percent.

*Mr. Pascrell. Mr. Chairman, reclaiming my time, I had many other questions. I have got to

leave this, but one more question. I want you to listen very carefully because it is not in any way putting you on the spot. I have asked this question a hundred times.

*Mr. Rettig. Sure. We are good.

*Mr. Pascrell. I have asked to you in public and in private. Could you tell us when the administration, the present administration, will be complying with the chairman's request -- the chairman of this committee, Mr. Neal -- under Section 6103(f) to release to the committee Donald Trump's tax returns. Our request has been sitting in your mailbox for two years -- not you specifically. That is my question.

*Mr. Rettig. As you know, I am the commissioner of the IRS, which is a bureau of --

*Mr. Pascrell. I am very aware of that, yes.

*Mr. Rettig. I am supervised by the Secretary of Treasury.

*Mr. Pascrell. I am very aware of that.

*Mr. Rettig. And the decision for the question you answered (sic) is a decision for Treasury and the Department of Justice. It is not my decision.

*Mr. Pascrell. But the request went at this your predecessor, and the request went to you. It did not go to the Treasurer. Now, I know you are under the Treasury. We all know that. Everybody sitting at this desk knows who you report to. So Internal Revenue Code Section 6103(f) gives the committee, the Ways and Means Committee, clear an unambiguous authority to obtain anyone's, connected to the executive branch of government, tax returns. In fact, the IRS has never before denied the Committee access to any tax returns requested under this authority.

And Mr. Commissioner, I want to make it very clear. We are not doing this as a haphazard thing. I have looked at it that way. Every American deserves to know the fairness of the tax system. And if we have a law, and it is very clear what that law says and how it has been implemented in the past, and it is not being adhered to, they have a right to ask the question or answer the question of why it hasn't

happened. Why it has not happened.

I ask you to think about it. If you want to get back to us -- us, not me, us -- if you want to get back to me about it and the committee, I would prefer that, too.

*Mr. Rettig. You prefer that we get back to you rather --

*Mr. Pascrell. I know that you don't run the Treasury Department. I am aware of that.

*Mr. Rettig. Thank you.

*Mr. Pascrell. There are some things that congressmen do know. But the fact of the matter is, we are still waiting. And this is a three-branch government, which is equal, according to the law.

Thank you so much. And now I am going to turn to our next questioner, our ranking member, for five minutes. Mr. Kelly?

*Mr. Kelly. Thank you.

*Mr. Pascrell. I would appreciate it.

*Mr. Kelly. Yeah. Thank you, Chairman.

*Mr. Pascrell. Step up to the plate.

*Mr. Kelly. Yeah, I will. Thank you.

So Commissioner, I just wanted to ask you something because in your opening remarks you said this, and I just want to make sure that I have this down right. You say, "First I want to thank Congress, especially the members of Ways and Means, during the drafting of the recently enacted stimulus package. Making a package administrable by the tax administrator is critical, and our involvement and our participation was welcomed by every employee at the IRS".

I want to thank you for providing the IRS with resources to enable us to implement the tax-related provisions of the American Recovery Plan/American Rescue package.

*Mr. Kelly. So you were actually included in this package. But -- well, how were you all --

*Mr. Rettig. Not me personally, but IRS representatives were involved in the EIP-1, EIP-2, and EIP-3.

*Mr. Kelly. So you actually were able to give input,

*Mr. Rettig. then, on the new package that was being proposed?

*Mr. Rettig. I couldn't tell you the level of input, but I know that we were asked questions about administrability.

*Mr. Kelly. That is really good, and I like the idea. The one thing I would question was on all the other COVID packages that we have done, it has always been bipartisan and we have been able to work back and forth to come up with what we think is best for the American people.

I just find it awfully strange that continue this last package, the American Rescue package, when we decided that unity was the best way to run our government and we were just going to start to work together, there was not one Republican involved at any level in any discussion of a \$1.9 trillion package allocated on top of another trillion-dollar package that had already been offered and not a penny to have been used. So now we are up to \$3.9 trillion. So I applaud the fact that the IRS at least had some input on it. I wish members of the Republican party had had the same opportunity. So elections do have consequences.

One of the things I did want to ask you, sir, conservation easements. Last year, Congressman Thompson and I cosponsored the Conservation Easement Program Integrity Act, and I think this is what Bill refers to sometimes, which would stop bad actors from gaming the system to line their pockets at a consist to U.S. taxpayers.

Now, this legislation is narrowly tailored to stop abuses by syndicates and to protect and preserve conservation easement incentives for those who wish to use them as Congress intended.

Now, I know the IRS has been engaged in a lot of that litigation with these syndicated

conservation easements. But I am not sure the IRS can fight this battle on its own, and I think you and I agree on this. There is something that should probably take place out of this body when it comes to conservation easements. But the intended of the Congress, I think, has been abused in many, many ways.

Any opinions on that or what you think we could do to help?

*Mr. Rettig. In the space of syndicated -- abusive syndicated conservation easements, we currently have more than 28,000 taxpayers by individual. Many of these are in partnerships and other flow-through entities, or tiered flow-through entities.

But essentially, if you did a head count of the bodies through tax year 2018 -- because we don't have our 2019 data together yet -- it is 28,000. And they are at every level of the Internal Revenue Service -- at examination, appeals, litigation. About a month ago there were two guilty pleas. So we have a criminal investigation, criminal referrals, working with the Department of Justice in this space as well.

But we would very much appreciate to see legislation that would assist in essentially eliminating abusive conservation easements, syndicated easements. We need that legislation to move forward.

*Mr. Kelly. Okay. And that is something that I think we really should be working on because what was originally intended has morphed into something else. And I think it is gone too far away from the original intentions. And I think we would all agree on that.

There is only one other thing, but let me ask you. So I am going back to the taxpayer advocate. I think all of us feel the same way. I don't know of another source or another involved party that we have, especially in all our offices. Our taxpayer advocate in the area that I work in has been absolutely tremendous. And I know the chairman and I agree on this and I will keep saying this because it bears repeating.

The job you have all done during the most difficult time in our current history of this Nation has

been incredible at every single level. And I know it is hard when people work from home because they don't have the same assets available to them when they are in the office working. I understand because I am still in the private sector.

We have some people that just can't come back to work right now because Mom or Dad or Grandma or Grandpa live with them and they don't want to do anything that would take that home. And so they stay away from work. That causes a big problem. Talent it hard to find. Really good talent is really, really hard to find. And we have to find some way to give people the assurance that you can come back to work. You can come back to a normal life.

But thank you for what you are doing, and I hope your troops get back to work as soon as they can, back in the office where we have all those assets available to them.

*Mr. Rettig. Thank you very much.

*Mr. Kelly. Thank you, Commissioner.

*Mr. Pascrell. Our next questioner will be Ms. Chu for five minutes.

*Ms. Chu. Okay. Commissioner Rettig, the American Rescue Plan, enacted last week, included tax forgiveness on up to \$10,200 of unemployment benefits for households earning under \$150,000. It is so crucial for those who are suffering the most from this pandemic, and will help to keep money in their pockets to help pay their bills and support their families.

Now, the IRS has announced that the deadline for individuals to file their federal taxes has been extended until May 17th. What would you advise those who have not yet filed? You say there is a worksheet, but so many use online platforms. How soon will those online tax platforms be updated?

And then you said those who already filed may not need to file an amended return. But when will there be certainty on that front?

*Mr. Rettig. So let me give you the certainty right now is people who file should absolutely not file an amended return. So whether they reported it or did not report it, do not file an amended return

at this time. We believe we are sensitive to the situation that people are in. We believe that we will be able to handle this on our own. We believe that we will be able to automatically issue refunds associated with the \$10,200.

The issue, if you will -- one issue that we are looking at is our ability to distinguish, in a husband and wife situation, two couples, we should be excluding automatically \$10,400 (sic) rather than just \$10,200. And the issue we are both unemployed, or is it one person unemployed?

We will get through that, and I am confident that our people will get through that. When you look at what we have done during the year, I have no doubt. So between -- right now I would encourage people to file electronically their return.

There is a huge problem in this country associated with unemployment compensation fraud. People are getting 1099-Gs that do not reflect the amount that they received. The money was taken by fraudsters. We are aware of that. The States are aware of that. The States issue 1099-Gs.

So if an individual receives a 1099-G and it does not reflect the right amount that the individual received for unemployment compensation, the individual should only report the compensation, unemployment compensation, they actually received. They should not pay on the \$10,200. Go to the worksheet. But we expect to be able to take care of that.

As to people who already filed and may have reported -- prior to the Act may have reported the \$10,200 as taxable, and it is taxable in certain States and whatnot -- if they reported it as taxable, please do not file an amended return. Let us take care of it.

If that changes, we will certainly let the committee know and you will see a lot of announcements. But I firmly believe that we will be issuing those refunds. Now, those folks who may have had other refund activity will receive the first refund, and then we will go back and do a recovery so they would receive a second refund associated with a tax on the \$10,200. But we are spending every that we can, and we realize the importance in the time.

Now, the 1099-Gs will only be coming out at the end of March. Right? So they are not actually in the pipeline to us yet. And I think we will have this resolved before then. And we will certainly let you all know and will reach out individually, collectively, and whatnot. But we get it.

*Ms. Chu. Yeah. Okay. Well, thank you so much.

My second question is: The American Rescue Plan also included \$1400 survival checks for each adult and dependent without a Social Security number. So Commissioner Rettig, it is estimated that 2.2 million American children born to immigrant parents will now be eligible for those payments. I am so thankful for that.

But they will not be in the system, necessarily, because they were left behind from previous rounds of stimulus check. So how does the IRS plan to reach those dependent children? Does the IRS already have taxpayer data available to reach those families? Or will the IRS have to establish some tools it used last year for the first round of stimulus checks?

*Mr. Rettig. Well, the data that we have is data that comes off of tax returns. And then with respect to EIP-1 and -2, we had the nonfilers portal. But we do not have the nonfilers portal running currently, and principally that is to encourage people to file income tax returns. Many of these folks are also entitled to an EITC. They are also entitled to a child tax credit. We did not get that information from the nonfiler portal.

So free file for individuals under certain income amounts. They can file for free. Our VITA sites are open. The LITCs, low-income taxpayer clinics, are able to prepare returns. There are a nonflier lot of avenues for folks to get into the system, identify those dependents that we can get them out.

Now, if we have already issued an EIP-3 to somebody, and I would like to proudly say that within 90 days -- excuse me -- within 24 hours of the enactment of the Act, right, the Recovery Act -- the Internal Revenue Service delivered to Bureau of Fiscal Affairs in less than 24 hours files for 90 million transactions, \$242 billion. That was our first tranche. And it is -- it got released by the administration yesterday. We did that within 24 hours.

But if people have received one and they have not filed a 2020 return, the likelihood is we delivered to them based on their 2019 information. They should file a 2020 return when we get through the immediacy of the current filing season. We will do a recovery based on that 2020 return and provide them, if there is a changed family circumstance, what they would be entitled to.

*Ms. Chu. Thank you. I yield back.

*Mr. Rettig. Thank you, ma'am.

*Mr. Pascrell. I am going to ask you, the gentlelady, did you get your question answered on the second question?

*Ms. Chu. Actually, no. But I ran out of time.

*Mr. Rettig. How about --

*Mr. Pascrell. Well --

*Ms. Chu. Because I did not hear there is going to be outreach to these children.

*Mr. Pascrell. All right. I just wanted to be a little clearer on it. I just -- give me a half a minute in response.

*Mr. Rettig. Yeah. I didn't pick up the word "outreach." I thought you asked how we were going to identify through our tax records.

The outreach, ma'am, we are engaged -- one thing that has happened, a silver lining from EIP, is we are engaged with over 11,000 different community organizations -- religious, social, tenant associations, you name it. Homeless shelters throughout the country. So our outreach went from more traditional tax channels into the communities, and our people live in these communities. We are servicing these communities.

So every outreach opportunity that we have, we are there. And I can follow up with you. I can follow up with all of you, actually, individually if you have additional questions about this.

*Mr. Pascrell. Thank you. Thank you, Mr. Chairman (sic). Hopefully you can do that, Mr. Commissioner. And thank you for asking the question, gentlelady.

Now, based on the members in attendance and consistent with the committee practice, we will move to a two-to-one questioning after Representative Wenstrup. The chair now recognizes Mrs. Walorski for five minutes. The gentlelady is on.

*Mrs. Walorski. Thank you, Mr. Chairman.

Commissioner Rettig, I am grateful for the IRS and the continued, long-overdue modernization efforts that you guys have undertaken. I think it has been critical during the pandemic. Notably, the use of remote online notarization, it is something my home State of Indiana has been leaning. And when done properly and securely, enabling families to conduct transactions remotely is extremely helpful. And so again, I am grateful for your work on this tool.

Today I just wanted to find out how the effort is going. I have heard some concerns about consumer protection issues regarding the use of remote online notarization, which is something I take very seriously. Has the IRS experienced any issues during the expanded use of the remote online notarization, and are there any safeguards that are working in? Is this type of a tool something that you would consider making permanent?

*Mr. Rettig. One, let me say that I was on the outside for 36 years and really pushed to get this and many, many other user-friendly services for the Internal Revenue Service. Now that I am sitting in this seat, I have a bit of say as being there. And the idea of making this and many, many other avenues for communication and interaction with the Internal Revenue Service permanent, the pandemic allowed a risk-averse agency to assume certain risks.

So I am not aware of the specific issues that would cause us to not do it. I know our counsel always has issues any time we open up electronically. But let me say I am a huge advocate of getting us there, not only for this, but all the other avenues that we have.

We will not abandon traditional means of communication, in person and the rural communities. But we need to get into the type of service that people deserve here.

*Mrs. Walorski. Well, thank you. I want to make you aware of one other thing, Commissioner. I would like to put an issue on your radar regarding foster youth and student financial aid. Due to the pandemic, certain foster youth have not been able to receive a nonfiler 4506-T form, T as in Tom, in a timely manner, making it difficult for them to file for student financial aid.

While the Department of Education has provided colleges some flexibility regarding the verification of nonfilers, many foster youth are still in limbo. Can you keep my staff and myself in the loop on any action the IRS does take to help these foster youth with a nonfiler verification form?

*Mr. Rettig. Absolutely. And it is an area we are sensitive to as well. And you and I have discussed this.

*Mrs. Walorski. Exactly. And then my final question, Commissioner: For taxpayers that have already filed their return with unemployment income, will the IRS be able to make adjustments on your end to issue any additional refunds to eligible taxpayers? And then it so, how quickly will you be able to get payments, and when will you communicate this to taxpayers?

*Mr. Rettig. We expect to do recoveries -- we get through our initial tranche of the filings that were in filing season. We just expanded filing season till May 17. So that puts us a little bit behind with the schedule that I think we would have hoped that we would have been on.

But we expect to do recoveries with respect to EIPs. And I mention the recoveries with respect to unemployment compensation. And what I can promise is we will get to that as quickly as possible, and I will follow up with you and anyone else who has questions or comments concerning that.

But we are sensitive to -- we happen to be the financial vehicle to get benefits out to folks who really need them. And we are working really hard. Most of our agency is working dual shifts. We have a lot of people on mandatory overtime, weekends. I would really want everybody to know every

employee is doing everything they can. And as an agency, we are doing everything that we can.

*Mrs. Walorski. I appreciate it.

Mr. Chairman, I yield back.

*Mr. Pascrell. Thank you, gentlelady.

The chair now recognizes Mr. Suozzi for five minutes.

*Mr. Suozzi. Mr. Chairman, thank you so much for holding this hearing. I really appreciate it.

Commissioner, thank you so much for making yourself available. My main line of questioning is about this whole idea of getting service back in the Internal Revenue Service and also, as part of that, trying to address the tax gap, the money that is not collected from taxpayers that owe money to the United States Government.

So commissioner, let me just ask you a couple questions, if I can. Is the budget for fiscal year 2021, which we are in right now, more or less than it was in fiscal year 2010?

*Mr. Rettig. Adjusted for inflation, it is about \$2.4 billion less.

*Mr. Suozzi. Two point four -- well, I think the actual is actually -- it is not just adjusted for inflation because the fiscal year 2021 budget is \$11.95 billion, and in fiscal year 2010, it was \$14.6. That is the actual.

*Mr. Rettig. So not adjusted. Right.

*Mr. Suozzi. So --

*Mr. Rettig. Right. Not adjusted for inflation.

*Mr. Suozzi. Not adjusted for -- if it was adjusted for inflation --

*Mr. Rettig. Oh, boy.

*Mr. Suozzi. -- the budget would be \$17.6 billion today. So my question to you is: If you had \$5

billion more in the IRS budget, would you bring in more money than you are bringing in now?

*Mr. Rettig. There is no question that the more resources we have, length on a service side of the house, which is guidance -- I think everybody is aware we have reached big time into the different languages, and servicing taxpayers and underserved communities and whatnot, trying to help them get it right.

But part of that service side is the enforcement side of the house. Every one of our field revenue agents is engaged in examinations of high income taxpayers or the most egregious cases. And as I indicated earlier, from 2010 we are down 15,000 enforcement personnel. Very difficult to maintain the presence and the visible presence that we need when we have that type of a number.

So on a billion dollars, we would bring on about 4,500 enforcement personnel. We would spread them through different areas, but about half of that would be both revenue officers, who are the collectors that we have, field revenue officers, who are our most experienced examiners.

There is a report that researchers from the IRS are going to publish on Monday. It indicates that it is not just a body count of how many people we have in enforcement, but with respect to the higher income taxpayers, we need to have specialized agents. We need to have agents who specialize in things like the offshore --

*Mr. Suozzi. Sir, I want to cut you off.

*Mr. Rettig. Okay.

*Mr. Suozzi. Sorry. Because I am trying to make a very simple point here.

*Mr. Rettig. I will stay short.

*Mr. Suozzi. If you brought in a billion dollars more a year -- I mean, if you had a billion dollars more a year in your budget, how much more money do you think you could bring in to the U.S. Government's coffers? More than a billion dollars. Right?

*Mr. Rettig. The number that you will typically see public is around a 5- to 7-to-1 return on investment Our taxpayer advocacy --

*Mr. Suozzi. Okay. So you put in a billion. You put in a billion. You get \$7 billion more back. Okay?

*Mr. Rettig. That is the number -- that is the number you usually see.

*Mr. Suozzi. Okay. So it is a pretty good investment. So I have even read elsewhere, but Larry Summers did something where he said, "You get almost a 10-to-1 ratio." He said, "You get \$105 billion. You get a trillion dollars back over 10 years". So --

*Mr. Rettig. Our taxpayer advocate issued a report this week, a blog, indicating that with a \$12 billion budget for the Internal Revenue Service, and we bring in \$3.56 trillion, she took the gross numbers and made it about a 300-to-1.

*Mr. Suozzi. Right. So I am just saying with this new money, it will be at least a 5-to-1 or 7-to-1 ratio. So I am just trying to get it out to the public, to the press, to my colleagues, that if we were to invest \$20 billion, \$2 billion a year for the next 10 years, in 10 years we would bring in \$70 billion for that \$20 billion, at least -- no, no, we would bring in \$140 billion for that \$20 billion.

So we have got to put more money into the IRS to get you more officers, to do audits, to get you more service agents, to get you more people to answer the telephone, to fix up the technology, to do all the things that I don't -- I am not as sophisticated as you -- that you need to do. You need more money, and you will bring more money into the Federal Government so we can pay for things like addressing the problems that we face in our country that we just did with the American Rescue Plan.

So let's invest in the IRS, which has almost \$3 billion less in funding today than it did in 2010, and let's bring more money in to the Federal Government by doing that.

I yield back, Mr. Chairman. Thank you so much.

*Mr. Pascrell. I thank the gentleman.

The chair now recognizes Mr. Wenstrup for five minutes.

*Mr. Wenstrup. Thank you, Mr. Chairman. And I want to thank you, sir, for being here today. This is an extraordinary time, complicated tax filing season, to say the least. And I want to thank you for your time here today.

I also want to take a moment compliment the tax advocate that we have been working with in my office during this difficult time. She has shown extreme dedication. My staff has been very happy with the relationship that was developed. Her name is Barbara Bolling, if I can say her name. And I had the chance to have a Zoom call with her as well, and I appreciated her being very forthright to discuss the challenges that you are facing, but to be able to work with us on a regular basis.

*Mr. Rettig. You just made her famous in our organization, so thank you. Our employees watch this, and they are very proud of things like that.

*Mr. Wenstrup. Well, I am glad to do it because we have been very pleased and understand the trials and tribulations.

I would like to start off again raising my concerns about this unprecedented unemployment benefits fraud that we are seeing during this tax season. Through the partisan American Rescue Plan Act, though the partisan rescue plan contained a provision regarding the taxation of a portion of unemployment benefits claimed this season. It contained no provisions regarding the fraud we have seen in the program.

I tried to get an amendment through. It was recognized as important by this committee, but it was voted down by my colleagues across the aisle. And additionally, another challenge a bit further: Not taxing benefits at the Federal level doesn't erase the underlying problem itself, especially if States may still tax the benefits.

And it is even unclear if States could align their tax laws with this Federal law because of a poorly written, undefined provision in ARPA regarding how States can adjust their tax codes. So that is

an issue that needs to be addressed.

We have limited time here today, I know. And there are more stakeholders involved in this issue than the IRS, including States, the victims of the fraud themselves, Treasury and many more. And I am concerned this subcommittee has not yet convened a hearing dedicated solely to this issue.

And finally, last week Ohio Governor DeWine and Lieutenant Governor Husted sent a letter to President Biden regarding this issue, and I would like to ask unanimous consent that this letter be entered into the record. Mr. Chairman?

*Mr. Pascrell. Yes.

*Mr. Wenstrup. Thank you.

[\[The DeWine letter referred to follows:\]](#)

*****COMMITTEE INSERT 1*****

*Mr. Wenstrup. The state in their letter, "This is not an Ohio problem. It is a national problem that requires a national solution." And I agree with this. And this subcommittee can and should be leading in this endeavor, and I trust that we will.

But going to a question on the unemployment benefits fraud, I would like to identify something that I have -- I appreciate what you even mentioned today, the guidance that is being issued. And people are going to hear more about it. Certainly we have all gotten a lot of calls on it. We even had one gentleman call and said, I got one for my wife who passed away two years ago, a 1099-G, that is. And so it has been challenging.

So my question is: What would the guidance be for those who already filed their 2020 return?

*Mr. Rettig. An individual who is a victim of fraud with respect to unemployment compensation should file a return, but only with respect to --

*Mr. Wenstrup. Ones that already have?

*Mr. Rettig. Ones who have already filed should not do anything at this point. We expect to get the 1099-Gs and take care of that, but there is really nothing for them to do in the short run. We are not asking for amended returns. If we get to the point where we can't work it out with the States -- because we are going to get information and work with the States -- but they must report to the State that the 1099-G that they get a copy of, the 1099-G comes from the State. They must report to the State and ask for a corrected 1099-G. That information they can forward to us. It might accelerate their situation.

*Mr. Wenstrup. Okay. Yeah, they -- I think their biggest concern is we want to make sure also that victims of fraud are held harmless through this process.

*Mr. Rettig. Yeah. It is --

*Mr. Wenstrup. So guidance coming out now is very good, but if you have already filed because you were ahead of the game or whatever and filed, then that is what they need to know.

*Mr. Rettig. Unfortunately, you will all have reach-outs by your constituents on this issue. Get

to us as quickly as you can, whether it is a taxpayer advocate or one of our other avenues for communication sooner rather than later. I have had this discussion with many of you individually, and am encouraging you to do so.

*Mr. Wenstrup. Thank you. Another quick question: The deadline previous was extended last year to July 15th, this year to May 17th. I have heard from CPAs that wish it was June, something to consider there.

But my main concern is, is this going to be a pattern, and for how many years do you expect we have to keep giving extensions?

*Mr. Rettig. This cannot be a pattern. Last year was an anomaly. We were shut down, if you recall. I sent 80,000 employees home. I shut down 511 facilities in less than two weeks. People couldn't contact us on the phone. We were not telework-eligible. We were not in a virtual environment.

So a year ago was a drastically different than today. Operationally, this was not called on by the Internal Revenue Service to extend the filing season deadline. This was an accommodation. And if you look at how it is structured, an accommodation for the most vulnerable individuals, and only extended the 1040 for individuals. We did not extend corporate, other entities, and the rest.

And it is to try to give the individuals who might be struggling to get some of their information a little bit of a breathing room if they are not comfortable otherwise doing the automatic extension till October 15.

*Mr. Pascrell. Thank you, Commissioner. And I thank the gentleman for his questions.

And now the chair recognizes Mr. Schneider for five minutes.

*Mr. Schneider. Thank you, Mr. Chairman. And Commissioner Rettig, thank you for joining us today, and I appreciate the opportunity -- appreciated the opportunity to speak with you and your team last week. And I commend all your people at the IRS, working so hard and so diligently through these

very difficult times.

The fact that less than a week after the American Rescue Plan was signed into law, more than 90 million EIPs have already gone out to taxpayers around the country, is a testament to the serious speed with which the IRS is processing this vital economic support.

In response to the news yesterday that the IRS would be adjusting the 2021 filing deadline you just touched on, I want to thank you for listening to members of this committee and to our constituents as we expressed our concerns about the need to adjust the deadline earlier this year.

Now where I want to focus is on case work. My staff has been in touch with the IRS about case work issues my constituents have been experiencing, and I forwarded to your staff several cases that require immediate attention.

My first question is: Can I get your commitment that you and your staff are going to work with us to make sure we resolve these as expeditiously as possible?

*Mr. Rettig. I am available to talk with you either later today or tomorrow. We will set up a call.

*Mr. Schneider. Thank you. I appreciate that.

Let me go back to the deadlines. You said you were focusing only on 1040s, not small businesses. And I am grateful that the deadline was moved to May 17th for individuals. But I would like to learn more about who is -- or talk a little bit more about who has been admitted from these changes.

For instance, individuals and entities that make quarterly estimates to make payments are still required to do so by the April 15th, the original April 15th deadline. And that would include small businesses, many gig workers, individuals with major swings in their income.

Can you try and clarify whether the decision to extend the filing deadline to May 17th also applies to quarterly estimated payments?

*Mr. Rettig. It does not apply specifically to first quarter estimated payments.

*Mr. Schneider. So in that case, since it doesn't apply, can you touch on -- are entities that would still be required to make payments? Why were they left off the extension?

*Mr. Rettig. There is a large contingent of wealthy individuals in this country who do not make their estimated payments and who essentially take the money that they should be paying in an estimated payment on a quarterly basis to the government, and take the arbitrage and they invest it. And we are not going to give them a break of interest and penalties to do so.

*Mr. Schneider. And I support that and share that. My concern is --

*Mr. Rettig. The small business taxpayer, by the way --

*Mr. Schneider. Yes?

*Mr. Rettig. -- just to address one comment, I said for the large business people. And as you know, I represented small business taxpayers on the outside. There are a lot of avenues for small business taxpayers to get into compliance. or what that penalty essentially is. And just to be clear, it is the interest as though the individual had made quarterly payments.

So you take our interest rate, divide by 4, and some people have it for a year. And so it is not a penalty that is over the top. And a large portion -- we are aware -- a large portion of the small business taxpayers do not have the funds to make that estimated payment anyway. We took a lot of different things into account based on experience for a lot of us on the outside, based on experience for a lot of us on the inside. I want people to know --

*Mr. Schneider. Thank you. You said that.

*Mr. Rettig. We did not just think about this for five minutes and come up to it. And we had discussions with a lot of people to try to get it as right, focused on the most vulnerable people in this country.

*Mr. Schneider. No. I appreciate it. That is in part why I asked the question because it is -- there are still gig workers. There are so many people who are getting squeezed in this. And as we go

forward, if we can -- if there are ways for them to get assistance, that would be great.

Let me shift -- we talked about the backlog, and I don't want to belabor the number. But if you have unlimited resources, how much could we shrink that backlog? And not that we have unlimited resources, but what resources, made available, would be helpful to try to reduce the backlog as much as possible?

*Mr. Rettig. The issue with respect to the backlog is, we can't on-board and train people to handle the backlog in a meaningful time. And this also was taken into account with respect to the extension. Normally, on April 15, we would actually take almost 15,000 employees who are on the phones, move them into correspondence, work that correspondence which ties into the return backlog, so both correspondence and return backlog.

That is very important for folks who might be caught up where we ask for information. They might be waiting for an EITC. They might be waiting for a CTC. And since we moved this deadline to May 17, everything got slid back one month. that was one of the most important criteria that I looked at in terms of saying, I am not willing to recommend. We did this with Treasury, obviously. But to go back another month and push people that are waiting for EITCs because we don't have the resources, we don't have the people to do this -- and that is where we are.

So unlimited resources? We would like to have 20,000 CSRs. That would be sort of a sweet spot. We have 13,760, and the most recent act gave us another thousand. It is an agency that learns to do the best it can with what it has. And I am very aware that prior commissioners said things like, we will do more with less. We will do less with less.

You have never heard me say that, nor would I say that, because I think that those comments are disparaging to the employees of the Internal Revenue Service. Our employees want to do more, and they will do all they can if we can actually get them the resources to be as capable as they want to be. And I would encourage all of you in your districts to visit an IRS site, and I think you will be quite impressed with the quality of the people that we have, as I am. I am here for our employees, and they

know it.

*Mr. Pascrell. Thank you, Mr. Schneider.

*Mr. Schneider. Absolutely. Thank you, and I yield back.

*Mr. Pascrell. The gentleman's time is expired. And now I would ask Ms. Plaskett. For five minutes, you have questions?

*Ms. Plaskett. Thank you so much, Mr. Chairman. Yes, I do have some questions. And thank you all for being a part of this hearing. This is really challenging times, and I really want to extend to your members our thanks for all of the hard work that the IRS officers and those staff are doing to make sure that things are done in a timely fashion.

I know that the economic impact payments have really strained your workload and what is being done. My first question is regarding the Federal reimbursement that is going to be provided to you as territories for the costs associated with the third round of economic impact payments. This reimbursement, as you know, is required pursuant to Section 9601(b) of the American Rescue Plan Act --

And so one of my questions would be is: When will the IRS be providing the requisite funds to each one of the territories -- and of course, in particular I am asking about the Virgin Islands -- for the cost of providing that third round of EIP payments to its residents?

And then if -- now that we have -- and just I will add this question in there as well -- considering that the American Rescue Plan also contains provisions for permanent Federal funding tax benefits to the territories, that being reimbursements for the earned income tax credit and the child tax credit, have you worked out as yet how that is going to be utilized? And if you can share with me timing on that, I would appreciate it.

*Mr. Rettig. All issues with respect to the territories are Treasury issues and its Office of Tax Policy. And there was just a nominee for the Office of Tax Policy that came up, I think it was this week. Maybe it was last week. There is an acting assistant Secretary for Office of Tax Policy who I will, if you

want to reach out and we can get in touch, help facilitate the -- to move it forward.

I am sensitive in understanding with you of trying to make this happen as quickly as possible. And maybe with respect to the transition, some relationships might not have been there. We do have a very good relationship, obviously, with Treasury. I work for Treasury and the acting assistant secretary of tax policy. So I would assist you in facilitating that exchange. And if you want us to -- it is out of my lane, but --

*Ms. Plaskett. Okay. I hear you. Your support would be helpful.

One of the other questions I have that is related to -- because the U.S. Virgin Islands, Guam, some of us are mirror codes. The use and the support that we can get from the tax advocacy group is also really important.

Is there any thoughts to increasing the numbers or changing how that group is working, particularly in areas such as ours which rely so heavily on them?

*Mr. Rettig. A couple days ago I dealt with an individual in Guam, and did it seamlessly on a virtual platform. And so our abilities to do so is greatly increased, and that is, as I said earlier, a silver lining. So I think -- it is hard for us to actually -- we don't have people in a lot of different places. Attrition is very hard for us.

So in a virtual environment, and I can reach out to the IRS taxpayer advocate and assist with that. But we should be able to get people in a different area who can certainly assist virtually. There is no reason we shouldn't do that.

*Ms. Plaskett. Well, Commissioner, now that you are telling us that you as well helped someone individually. I may be calling on you for myself at some point, or maybe you can set up a class for us. I would appreciate that.

*Mr. Rettig. I know people who know people, but I don't hand individual matters.

*Ms. Plaskett. (Laughs.) Well, my last question is regarding how we are able to do things

seamlessly now because we are in a virtual world. So many of the market for tax preparations is going online, to online return filers. Do you believe that there is a robust volume of online tax preparation companies? Do you think that that is beneficial to individuals?

We know that market share of this is really being consolidated. Is that helpful or not helpful? Where do you see this changing, the pressure on smaller tax prep firms and with these changes in laws, particularly with the Rescue Plan? How is that going to be affected?

*Mr. Rettig. We do not control the tax preparation market. We do run programs. We run VITA, which right now can prepare returns. We are involved with low-income taxpayer clinics, which can prepare returns. We coordinate with respect to a number of preparation companies with respect to the free file programs, and there is free file for online services as well as free file fillable forms. For military people, there's MilTax, and we are very supportive in that world.

My biggest concern with respect to the vulnerable taxpayers is that a lot of individuals -- a lot of taxpayers don't want to interact with the government. Maybe they have language barriers or whatnot. And there are areas where people prey upon the vulnerable people due to their anxiety to interact with us.

And so for people who are under certain income limitations, we strongly encourage the free file, the VITA, low-income taxpayer clinics, Military Tax. There's a host of them. And right now there's about 8,000 VITA sites open. Unfortunately, I think that most of those will close April 15. They are not funded to go through May 17. So we will do that.

But many of them have flipped into a virtual environment, so as far as the territories, the ability for a VITA site in Maryland to assist a person in the Virgin Islands actually exists. It did not exist before the pandemic.

*Mr. Pascrell. Thank you, Commissioner.

And now the chair will to Mr. Ferguson for five minutes of questioning.

*Mr. Ferguson. Thank you, Mr. Chairman.

Commissioner, thanks for your time on the phone earlier. As you know, when we -- back in 2020, Congress allowed those businesses that took the PPP loans to also take the -- claim the employee retention tax credit. That was the right thing for Congress to do to continue to support the small business community. And that was a real help to them.

And so when these businesses found out about it, they were pleasantly surprised. However, it's come out that the IRS has said that they have got to file a paper form, 941-X, to go back and claim this. Now, obviously we have had a lot of discussion, talking about the backlogs that you have right now. And unfortunately, I think this is going to make these small businesses wait a very long time to get this much needed money in a very, very difficult time.

So a couple of questions here. Do you think that the IRS was capable of moving these quarterly employment returns to the front of the line and process them more quickly so that we can get help to these small businesses?

*Mr. Rettig. I am familiar with the issue. We are looking into it in consideration to see what we can do, whether it is to try to accelerate the process, what we have, or doing a different process. We are not there yet, but we are looking at it, and I am sensitive to it.

*Mr. Ferguson. Do you think we might have the businesses hold employment taxes as they did when the tax credit was created?

*Mr. Rettig. We are trying our best. And we will make an announcement if we can change it or if we can't. There are -- like I said, there's enormous challenges to our organization that did not get lessened during 2020. But we will give it our best.

*Mr. Ferguson. Yeah. I am --

*Mr. Rettig. I have full confidence in our employees.

*Mr. Ferguson. We want to make sure that those businesses get that relief.

*Mr. Rettig. We are with you on that.

*Mr. Ferguson. It is vitally important. So anything that we can help you with --

*Mr. Rettig. A lot of our employees come from small business families, and we get it.

*Mr. Ferguson. Thank you. Thank you for that.

A couple of other quick questions. Ranking Member Kelly brought up conservation easements. Clearly, we all support making sure that that program integrity is strong, and that it is -- and that those who participate in it are doing what Congress intended to do.

*Mr. Rettig. Right.

*Mr. Ferguson. However, one of the concerns that I have in this is if you go back, if you start changing the rules and then go back retroactively and go after taxpayers on this, I don't think that that is the right approach here. We want to make sure that this program is going forward.

What are your views on that in terms of giving taxpayers certainty going forward, but also dealing with any retroactivity issues?

*Mr. Rettig. I can tell you it is an issue that I was -- I am familiar with. I spent 36 years on the outside as a tax lawyer. Somebody would have to work a little harder to get me convinced that there is a problem on retroactivity in this arena, but more than willing to engage with people.

We, the IRS, fully supports the benefit of legitimate conservation easements around this country. It has done tremendous things for farmers and others. Our problem is with the abusive syndicated easements. And I have no problem with however direction we come at those abusive easements.

Litigation, whether it is in the injunction context, whether it is in the criminal context, I fully intend -- I have two years left in my term, and I fully intend to give my best efforts to get the abusive side of the transactions -- I am not talking about the legitimate side, but the abusive syndicated

easements to put a stop to that. It is a cancer in our system.

*Mr. Ferguson. Thank you for that. And one final thing. One of the issues that I have been concerned with for a number of years has been issues surrounding these fly-by-night tax preparers and the issues as they take advantage with some of our most vulnerable citizens, whether it is the filing of fraudulent tax returns on behalf of these individuals that they do it; the individual, of course, is unknowing. There seem to be some real problems there related to the culture that is around these.

Will you commit to continuing to work with the Ways and Means Committee to address those issues to make sure that the most vulnerable taxpayers are protected, and those that abuse the system are punished appropriately?

*Mr. Rettig. A thousand percent. I believe everybody on the committee is aware that I am the first commissioner whose wife came into this country as a refugee. My in-laws live in an ethnic community, do not speak English, and I am aware of people not only in that community but similar communities around the country who are preyed upon.

And we have a very active criminal investigation function on that that trials year did 450, 4-5-0, undercover operations, many of them in these communities, trying to eradicate that. A lot of practitioners, a lot of preparers, provide information to us. We would encourage the preparers to continue to do that. We will take care of it on ourselves.

And I will add to the vulnerable communities young military personnel. I am the first commissioner to go to the Pentagon to seek additional funding to highlight that fact, that young military personnel, many don't know the importance of April 15. They go and they similarly get preyed upon, and it is certainly unfair.

*Mr. Ferguson. Thank you, Commissioner.

Thank you, Mr. Chairman.

*Mr. Pascrell. The chair recognizes Mr. Doggett for five minutes.

*Mr. Doggett. Thank you, Mr. Chairman.

Mr. Commissioner, I believe that one of the most important aspects of the American Rescue Plan are the changes that have been made in the child tax credit. Many have described it as the most important effort to reduce child poverty in a generation.

The success of that provision is significantly dependent upon how the Internal Revenue Service implements it. I know you have already devoted some effort to that. For those individuals who are entitled to a full or partial tax refund, is it your plan to make payments on a monthly basis? And will you be able to begin doing that in July?

*Mr. Rettig. Excuse me, sir. The issue here ties back into this monthly extension.

*Mr. Doggett. Yes.

*Mr. Rettig. One of the reasons we were not in favor of the extension was we are, by statute, to launch the portal, if you will, for this by July 1. We now have one month less to do the development. The same people who do our income tax processing, our IT department's income tax processing, EIP processing, are the people that need to develop that portal.

So I don't have the resources to devote to that portal until filing season ends, which is May 17. I had it April 15. Now I just cut into them for a month, and I will say many of these people haven't slept since last March with what they have been doing. But we intend to do our best to get there. I am hopeful that I do not have to come back to the committee to say that we are unable to meet the statutory requirement.

We intend to satisfy this challenge. To launch the challenge, your question had to do with, will it be monthly? I believe the statute gave us some degree of leeway for that in terms of flexibility and periodic payments. I commit to you that we will do our best to get this portal up, launched, working, seamless, in a user-friendly manner.

It is not just a matter of having it be launched, but launched so that real people can use it. And

if -- I don't believe we will -- maybe I shouldn't even say this, but I think it might be a challenge to get into monthly right out of the box. But we are focused on trying to get these payments out to the people in a meaningful manner in a meaningful time frame.

So I will commit to that, and as that time frame might change in some manner, I will commit to getting back to you and letting you know. It is important for us, too.

*Mr. Doggett. Well, I appreciate that. And I think you know the significance of it. And I appreciate the challenges you have. I think it would be really important because the House did approve that it would be "monthly." It was changed to "periodically," as you know, that the payments not be a lump sum whenever you get them out, but that they are spaced out and that we don't have a situation of folks being dependent on predatory lenders or having other problems in their budgeting, by seeing that this becomes a regular monthly-type payment.

Is it your hope that eventually, after you get this going, that you can do it on a monthly basis?

*Mr. Rettig. We certainly understood that the House put in the "monthly." We would hope to drive to that if there are other issues.

*Mr. Doggett. Okay.

*Mr. Rettig. One concern a lot of people have expressed, we have heard from the outside, is: Is this going to be the first of many similar projects that the IRS gets? Obviously that could have a challenge to us from our -- we have talked about resources and whatnot from our, if you will, day job.

*Mr. Doggett. Right. Commissioner, I have a number of people in the area I represent in Texas that have been too poor to qualify for the child tax credit in the past. How will they be able to access information when the IRS may not even know of their existence? They may not have been filers in the past.

*Mr. Rettig. Individuals can either use free file. They can go to a VITA site. They need to file a tax return. The EITC -- and they may well also be entitled to EITC. A married couple with children --

*Mr. Doggett. Yes.

*Mr. Rettig. -- it's \$6,660. So there are a lot of avenues, and we can certainly work with your office to get into your communities about the avenues that are open that people can file tax returns for free. Even if they don't have the income levels, we need the return information for EITC, for CTC, and many other avenues. So we can work with your office.

*Mr. Doggett. Thank you. And you made reference to the portal that you are trying to get up. Will nonfilers be able to use the portal, or as you seem to be suggesting, is it a prerequisite that anyone who tried to access the child tax credit has to have filed tax return?

*Mr. Rettig. We need a tax return. The portal is for individuals to opt out, and that will also -- that's also --

*Mr. Doggett. I see. And many of my constituents access the internet on their telephone. Will this platform that you are designing be mobile-friendly?

*Mr. Rettig. Can I make a pitch for business modernization systems? We have only received -- the last four years, we have only received half of the funding requested, about 55 percent of the total requested. So we are behind on that. If we were on target, I would be -- I can tell you yes. I am hopeful that that would be in my term, but unlikely, given the funding constraints that we are under. But I think the agency is clearly working in that direction, and many other --

*Mr. Doggett. And will you be using multiple languages?

*Mr. Rettig. You are hitting my sweet spot.

*Mr. Pascrell. Your time is expired.

*Mr. Rettig. Yes. Yes. Yes.

*Mr. Doggett. Thank you.

*Mr. Pascrell. Thank you both.

And now the chair calls and recognizes Mr. Evans for five minutes.

*Mr. Evans. Thank you, Mr. Chairman.

Thank you, Commissioner, for your outreach. We greatly appreciate your staff.

*Mr. Doggett. I have had my say. I am probably going to withdraw in order to other stuff. You are welcome to stay there. I don't know if it is worth your listening or not.

*Mr. Pascrell. All right, Mr. Evans.

*Mr. Evans. Commissioner, please tell us about the IRS insurance. Eligible Americans are aware of and taking advantage of the poverty-busting EITC program.

*Mr. Rettig. Eligible Americans getting the EITC?

*Mr. Evans. The EITC.

*Mr. Rettig. Yeah. They are not taking advantage of it. This is a program that they are eligible for, and we don't hit the entire population of EITC folks who are eligible for it. I have personally participated in probably 10 EITC Awareness Days. We have a significant outreach into communities everywhere.

If you are holding town halls in your community, please invite us. Now things, a lot of things, are virtual. It is a very significant issue because the comments that people make, and at the point in time it becomes a cliché, it has lifted millions of Americans out of poverty. The fact is, it has lifted millions of Americans out of poverty. They are entitled to this. If they are eligible, it is a huge benefit.

And so our outreach is right into the communities. We currently have 503 facilities in this country. Every one of our facilities is in a community where we do outreach in the community. We also have many, many partners. A lot of them are VITA sites that are outreach into these as well.

So if you are doing outreach in your communities, town halls and such, please invite us.

*Mr. Evans. Commissioner, how would 2019 individual tax returns are open but unprocessed --

please walk us through the agency's timeline for processing all outstanding 2019 returns and eliminating the stagnant backlog.

*Mr. Rettig. There are 2.4 million 2019 tax returns that are in processing in our system. In addition, we have a queue of 5 million returns that we have actually opened and started to move through the system, but they were missing, say a form, or identity theft or whatnot. And on those 5 million, we have reached out to the taxpayer for information.

So there are 2.4 million, I think to the specific question, that we are -- 2019 returns filed before January 1, 2021, that we are processing, keeping in mind that came down from tens of millions due to the efforts of our employees.

*Mr. Evans. This is sort of a follow-up question. I think I heard a little bit of it, discussion around the child tax credit program. How does the same IRS plan to address obstacles related to issuing the advance of CT payments, especially regarding the families with low income and the greatest need for relief?

*Mr. Rettig. Sorry, I missed the last part. I heard the first part, no income and -- --

*Mr. Evans. Right. Well, I basically said how does the IRS plan to address obstacles related to issuing advance CTC payments, especially regarding reaching families with the lowest income and the greatest need for relief?

*Mr. Rettig. Again, we are in the communities. We have low-income taxpayer clinics. We run the program; we don't run the clinics. We have VITA sites. A lot of pro bono programs, pretty much in every town in this country, run by tax professionals, accountants, and others that are in the communities.

And so we need to get in the communities. These folks need to file a tax return. And I get it, the normal apprehension. I don't have income; why do I have to file a return? Unfortunately, the statute triggers off of the filing of a return. So we need to get folks to actually file the returns.

There is a lot of assistance. And we can work with, again, your staff and others. We have outreach materials. And I hope you can tell there's a lot of passion, not just myself; I'm just sitting here today, but the employees in our organization to make this happen.

*Mr. Evans. So basically, with the CTC and the earned income tax, there is an awful lot of money being left on the table, or potentially.

*Mr. Rettig. It is not just money. It is survival for people. It is self-respect. It is self-confidence. It is school. It is child care. It is elder care.

*Mr. Evans. Thank you, Mr. Chairman. I yield back the balance of my time.

*Mr. Pascrell. For five minutes.

*Mr. Smucker. Thank you, Mr. Chairman.

Thank you, Mr. Commissioner, for being here. I would like to thank the 80,000-plus employees in your organization for the work that they do during these unprecedented times as well. It has been mentioned before, but I would like to mention it.

I was really glad to hear some of the experience my colleagues have had. They have described their experiences with the Taxpayer Advocate office. Our experience has not been quite the same, to be honest, and I don't think it is the fault of any one individual. We believe, my staff tells me -- we work with the Advocate office in Philadelphia. I am in Pennsylvania.

And they believe they are very understaffed, and so have a very, very high caseload. And so the responses that we have received are significantly delayed, and we haven't had quite the same experience.

So I'm wondering if there is -- I could get any commitment from you to see if there is specific staffing issues that could potentially be addressed at the Philadelphia office.

*Mr. Rettig. I will look into it. It is Philadelphia. But every member here could ask me that

question on their district as to staffing. We get into attrition and staffing and whatnot. The taxpayer advocate got additional funding this year over last year, but pretty much every avenue we are stretched.

What we are trying to do is to leverage resources across community lines where we can. The virtual environment has helped us get there. We are not there yet for everybody. But I will make the inquiries for you, and I get what you are saying.

*Mr. Smucker. And again, I know your people are doing the best they possibly can.

*Mr. Rettig. They work really hard in Taxpayer Advocate.

*Mr. Smucker. I was just amazed at the difference in, I guess, some of the experience in different offices. So that is all. Again, I don't mean to come down on any particular staff member because I think they are working very, very hard.

I do want to follow up, actually, two areas that have already been brought up. And the one is the extension to May 15th. And I was talking to a CPA this morning, and in fact the CPA Association of Pennsylvania. Their top question in regards to the extension was an issue you already brought up, but I just want to reiterate it.

The CPA I was talking to today represents a lot of small to medium-sized businesses, not the big guys. But they are all paying the quarterlies, the estimated taxes, based on the return for the previous year. And so his question was: his clients will not know how much their estimated tax would be. They want to pay it on time, but obviously, if they haven't filed till May 15, they wouldn't even know what that amount would be.

Is there not a way we could somehow coordinate? Those two dates for those type of small business owners?

*Mr. Rettig. No.

*Mr. Smucker. So your only solution to that is they will pay -- if they aren't aware, they will just pay a penalty and interest.

*Mr. Rettig. I represent -- I come from a small business family.

*Mr. Smucker. Yeah.

*Mr. Rettig. My dad had a truck and two sons. And I'm very sensitive to the communities, particularly now. I represented small business owners on the outside. The issue is: Where do we draw a line? And that line will quickly extend to wealthy individuals who will game the system.

Every time we open a door, they come in with all their advisors and everything else. So we had to draw a line, and we drew the line on the most vulnerable individuals, 1040s.

*Mr. Smucker. So really, those --

*Mr. Rettig. Those folks, the small business folks, should talk to somebody at the IRS if they have a penalty. I will tell you, that's --

*Mr. Smucker. If they have what?

*Mr. Rettig. -- not my commissioner hat. That's my prior-to-commissioner hat.

*Mr. Smucker. They should talk to the IRS if what? I'm sorry?

*Mr. Rettig. If they have issues here, they should talk to the IRS. There are many, many avenues for individuals to resolve liabilities. And keep in mind the estimated tax penalty is one-quarter of the interest rate of at the Internal Revenue Service, which is already an arbitrarily low rate. So it is not a 5 or a 10 or a 30 percent penalty. It is one-quarter of our interest rate.

*Mr. Smucker. The other issue I wanted to bring up, and I am almost out of time, but is in regards to the CTC and moving to monthly. Isn't it based on the previous year's income? And would that monthly payment not change based on -- so I guess I'm wondering how we are going to ensure that those payments are accurate. I'm concerned that a lot of people will have surprises the next year when they file their taxes. Do you have a way to --

*Mr. Rettig. One of the thoughts on this portal is not only to opt out but to advise us of a

change in family circumstances. So a marriage, maybe, with a child or having a child and whatnot. A struggle will be if somebody, on March 18, tells us they had a child, and they will expect a different payment April 1. Right?

*Mr. Smucker. We are good.

*Mr. Rettig. Are we that good? I am not sure. And then that will lead to calls. But we are going to do our best.

*Mr. Smucker. Yeah. And I just --

*Mr. Rettig. But they can tell us the changed circumstances.

*Mr. Smucker. Yeah. If you like moving it to that system. It's going to create a lot of surprises and a lot of hardships for the agency in carrying that out. Thank you.

*Mr. Rettig. We will do our best.

*Mr. Pascrell. The gentleman's time is up, but I think that you've wound up with a very critical question. And I would ask the Commissioner if it's not too much of a burden to get us some kind of a communal answer so that -- because I think it applies and is applicable to every district in the country. If you could do that, I would appreciate it.

I have read several explanations, but you need explanation. So if you can clarify, I would appreciate it.

*Mr. Rettig. Yes, sir.

*Mr. Pascrell. Can you do that?

*Mr. Rettig. Yes, sir. Yes, sir. Yes, sir.

*Mr. Pascrell. And you get it back to us. Right?

*Mr. Rettig. Yeah.

*Mr. Pascrell. Thank you. Thank you for the questions.

Next, the chair now recognizes Mr. Horsford for five minutes. Steven?

*Mr. Horsford. Thank you, Mr. Chairman. I really appreciate your leadership on this critical hearing.

Commissioner Rettig, this is probably the most important hearing that we have conducted since the passage and signing of the American Rescue Plan by President Biden. We know that more than \$900 billion of the package was provisions through the Ways and Means Committee.

I do have to just say, I find it interesting that some of my colleagues are now talking about all the great things in the bill, from the stimulus payment to the child tax credit to the earned income tax credit. But they didn't vote to support the measure to support their constituents. But that is something else.

I am also concerned, Mr. Rettig, that you indicated that people who have low income who traditionally don't file their tax returns because of that income threshold not requiring a tax return, are now eligible for payment through the economic impact payments, potentially the child tax credit, the earned income tax credit. But they are not traditional taxpayers.

And while the outreach that you refer to is good, we know, with some marginalized communities and the barriers that exist that -- for them to get what they need is going to be very difficult. So I would like to ask that you work with this committee.

I know, in honor of the late Congressman John Lewis, he had the American Taxpayer Protection Act. It really talked about streamlining this process and making it a lot easier for the taxpayers that we are talking about really providing this benefit to. So I would ask that you would work with us on that.

Also, I would like to know for context, in 2017 the IRS audited fewer than 600 returns for taxpayers making \$10 million. And yet you audited -- the IRS audited 285,000 returns for taxpayers making under \$25,000. Why do we have a two-tiered system of tax administration and enforcement in

the IRS?

*Mr. Rettig. Sir, we absolutely do not. I will draw your attention to page 34, table 17A. I will come and meet with you. I will meet with your staff. Next month, in May, we will be issuing our 2020 Data Book. This is the 2019 Data Book, which is the only data book that is publicly available.

The 2017 figures that you're referring to on the lower income returns, the only ones we really -- because of IPERA, we are required to report an improper payment.

*Mr. Horsford. By what?

*Mr. Rettig. IPERA.

*Mr. Horsford. Which is what?

*Mr. Rettig. I-P-E-R-A. It is an act that requires Treasury --

*Mr. Horsford. Right. It is a Federal bill that requires you to audit more earned income taxpayer -- people who qualify for an earned income tax credits. And now, with the passage of the child tax credit, you are actually making my point. We have policies on the books that target the poor in this country. Meanwhile, the very wealthy get audited at a very different rate. And I am happy to meet with you. You have met with me, and I appreciate that. And I appreciate all the hard work.

But we do have a two-tiered tax system. I am happy to meet with you. I am not --

*Mr. Rettig. I think --

*Mr. Horsford. I think collectively we can make a difference. This is not the arena that the difference will be made in. On the over-\$10-million taxpayers, we audited 8 percent. That is a true number. For 2010, when we had the resources, we were auditing 23 percent. And when you see this report --

*Mr. Horsford. And I agree with that point.

*Mr. Rettig. I would love to work with you on this.

*Mr. Horsford. The fact that we had -- that you are underfunded and you can't even do your job; you have to move employees from this area to that area to this area to even do the job that the American people expect is something that I agree with you on.

Let me ask you another question. We have an issue with the fraud in unemployment. I am working with Chairman Wyden on a bill to deal with the Unemployment Modernization Act. My home State of Nevada has the second highest rate of unemployment, and we have seen estimates of close to \$80 billion in fraud due to these criminal networks. These are like sophisticated criminal rings.

So we need to update our unemployment systems to make them more secure. But we also need to make sure that we have clear and effective enforcement in the IRS. SO I just wanted to ask you to follow up on the issue with the tax forms, how you are handling this \$10,200 deduction -- exclusion, excuse me. And if people are, for whatever reason, liable or have been -- had their identities taken in these unemployment rings, how will they be protected in that process?

*Mr. Rettig. Yeah. The people -- do I have time, sir?

*Mr. Pascrell. Sure.

*Mr. Rettig. The people who have had their identities taken in this should only file and report for income they actually received. Do not report any other numbers at all, no matter if they get a 1099-G that has an amount, or a higher amount. Do not report that on tax return to us. And some people have, and we need to take care of that.

On your comments with respect to the fraud, "We don't monitor unemployment. It is a State issue." We are very active in those arenas, and you all see the same numbers we do. It is staggering, and it has really been the vulnerable populations once again, time after time.

So we will work with you. And we talked about this.

*Mr. Horsford. Thank you, Mr. Chairman. And our time is up. But this is the most important hearing -- 90 million people receive \$242 billion. That is just in the economic impact payments. There

are billions more in child tax credit and the earned income tax credit. And we need to make sure people get their benefits that this Congress approved, with or without the Republican support.

*Mr. Pascrell. The chair now recognizes Mr. Davis for five minutes.

*Mr. Davis. Well, thank you very much. Thank you, Mr. Chairman, for letting me waive onto this very interesting and important discussion.

And Commissioner, I want to thank you for your willingness to meet with me and my colleagues in the Congressional Black Caucus to discuss our concerns about how the IRS decisions in 2020 harmed African Americans and their families. I know that our offices are working on setting up a time, and I want to thank you for that.

I am concerned about the experiences of foster youth and homeless youth during the 2021 tax filing season. Many of these young people were independent from their parents during 2020 but could not claim their EIPs because the funds went to the parents based on prior tax returns.

Given that these young people face economic and social hardship and have not yet received any EIP, I would like to work with you on ways to help ensure that these youth can access their stimulus funds quickly, and that any audit process recognizes their circumstances.

So given that the EIP-3 went out based on past tax data, how can these youth access their EIPs now?

*Mr. Rettig. Well, the EIP-3 went out on 2020 return information to the extent somebody had filed. If they had not filed on 2020, it went out in 2019. When 2020 gets filed, there is a catch-up. So a foster youth who is eligible should file a tax return and claim the return recovery credit, RRC. It is in the return. There is an example for that.

And we can walk through with your office and others, if you are doing outreach. If there is outreach with respect to that, there is information on IRS.gov, not that everybody looks at IRS.gov. So I don't cite that as the answer for something, sir.

But the foster youth should file a 2020 return. And if they are not on a 2020 return a dependent on another person's return, they should receive it. But there is -- we will certainly work with you.

*Mr. Davis. Thank you very much. And I want to thank the wonderful work of the Uptown People's Law Center and the law students and Northwestern University in Illinois. Thousands of incarcerated Illinoisans submit simplified returns. Unfortunately, the IRS was unable to process the EIPs from tens of these individuals.

So how is the IRS informing these individuals that they will need to apply for recovery rebate to access their stimulus?

*Mr. Rettig. There were timelines, statutory timelines, after which we were not allowed to make payments with respect to EIP-1 and EIP-2. And the return recovery credit is the equivalent of the EIP. It is just on the return. So people need to file a 2020 return. I am familiar with the issue specific as to prisoners. And we can work with you and try to do the best that we can. That is what I can offer you.

But in a nutshell, people need to file a 2020 return. That is the true-up of the EIPs.

*Mr. Davis. Well, I want to thank you for the work especially that taxpayer advocates in my area do and do on a regular, ongoing basis. But I also would like to associate myself, not that it is an IRS decision. But we do have policies on the books that relate in a way of looking at low-income taxpayers, not looking the same way.

So I would like to associate myself with the comments made by Representative Horsford. I thank you very much. I thank you, Mr. Chairman, and yield back the balance of my time.

*Mr. Pascrell. Thank you.

And now the chair recognizes Mr. Rice for five minutes. You need to be unmuted.

*Mr. Rice. Can you hear me now?

*Mr. Pascrell. Very good, Mr. Rice.

*Mr. Rice. Mr. Commissioner, thank you so much for being here today. I am a former tax lawyer CPA. I have a small taste of what you guys deal with, and the fact that you have been able handle your normal responsibilities in addition to all that you shouldered as a result of the pandemic in the last year is just amazing.

And so thank you thank you and all the people that work with you for taking all these responsibilities that have been placed on your shoulders. And the fact that you kept up is amazing.

So with that said, when I -- I have been on the Ways and Means Committee now for, oh, about five years. And when I served on the oversight committee years ago, one of the things I was shocked to learn is about the state of the technology within the IRS. Initially we were told there were 80 what they call points of failure.

Later we were told that there were over 200 points of failure, which is where the IRS is still using old mainframe computers with magnetic media storage that only -- the programs are so old that only one person knows how to program. If that person quits or died, then the IRS is in really bad shape.

I want to know what progress that you all have made on updating that, modernizing that technology. I know that six, seven years ago, there was significant investment made, and not a lot of progress made. And I just want to know that the IRS is moving toward a more uniform process with more off-the-shelf programs that aren't tailored for the IRS that will be more easily upgraded, and that the equipment also is being upgraded.

*Mr. Rettig. We launched our integrated business modernization plan about three years ago. So far it has been -- it was a six-year plan, but it has been underfunded 45 percent over the first four years. So we are behind schedule on that.

The Taxpayer First Act has a significant modernization effort, and the idea being through the eyes of the taxpayer, enhance the taxpayer experience. A seamless operation, sort of if you hang up with a private sector entity and then you call the IRS. Get taxpayers as close to that, get Members of Congress as close to that, get tax professionals as close to that. Give them a portal.

So we have some funding issues in the modernization. We have actually moved forward significantly. We have a lot of things that are great. But we are absolutely not where we should be. We are not where people of this country deserve to be. We can give you a specific, if you will, briefing in terms of that, and certainly can give the committee a briefing on that. But --

*Mr. Rice. Are you still -- are you still using 1980s vintage mainframe computers that work on Cobol?

*Mr. Rettig. We do have some Cobol language, and we have some employees, maybe the only ones left alive, that actually understand Cobol. We are moving out of that as quickly as possible. Only 16 percent of our hardware is out of date presently. Two years ago we were at about, I think, a 45 or 46 percent rate, so we have moved forward a lot.

Some of that has been with respect to funding that has come from Congress associated with COVID, and it has made a huge difference for us. It has brought us closer to, if you will, where the private sector would be. We have eyes on the private sector. We also routinely go into the private sector, trying to get their assistance.

*Mr. Rice. Are you switching over to off-the-shelf programs and not programs tailor-made? I understood you had something like 400 different systems, different programs, and that different areas of the country used different systems. Are you eliminating that and becoming more uniform so it is easier to update?

*Mr. Rettig. We are. One of the issues IRS -- this predates me, but one of the issues IRS had was essentially taking a foundation and, because of budget issues, adding different pieces to that foundation. And you are ultimately left where your foundation can't support what you have added onto it. That's why we need -- we are rebuilding the whole thing, and off-the-shelf, the answer to that is yes. We need to.

*Mr. Rice. Do you have outside consultants helping you with this, or are you building this in-house --

*Mr. Rettig. Absolutely. Absolutely. I have been to Austin and I have been to Silicon Valley, sir.

*Mr. Rice. Okay. Well, I hope you brought back some equipment when you went.

I will yield back the rest of my time, Mr. Chairman.

*Mr. Rettig. Thank you, sir.

*Mr. Pascrell. Thank you.

The chair now recognizes Mr. Gomez as our final questioner today. Mr. Gomez, you have five minutes.

*Mr. Gomez. Thank you, Mr. Chairman.

Commissioner, thank you for coming in. I represent the east side of Los Angeles and downtown Los Angeles. And it is one of the areas that has been disproportionately impacted by the coronavirus, when it comes to infection rates, when it comes to death rates, and to the economic fallout that occurred.

A lot of my constituents were really dependent on that stimulus check and their refunds. And that is because they -- most of my constituents have to work multiple jobs to make ends meet. They have to live multiple people to a house. So the \$1400 that they are going to be getting, the previous stimulus check payments, that was a big deal. But the backlog that we have seen in the 2019 returns was extremely concerning. And that is because they really depend on that money.

So I know that they can file their 2020 return and continue playing the waiting game when it comes to these previous stimulus checks. But Commissioner, has the IRS taken any action to avoid a repeat of this scenario? I am unsure that taxpayers get their economic impact payments in a timely fashion.

*Mr. Rettig. The backlog on 2019 returns has no impact whatsoever on somebody receiving their return recovery rebate credit, which is on the 2020 return. So no matter what we have done with

somebody's 2019 return, have we processed it or it is in processing? They need to file their 2020 income tax return, claim the full return recovery rebate, and they will get it.

A part of the processing issues that have come down with respect to this is people are making -- they have the numbers wrong on what they did or didn't receive. And so it is a manual process for us to check that.

But we could certainly work with you and your staff. I think you know I am from Los Angeles. I still live in Los Angeles; I am just on an extended tour away from Los Angeles for the period of time. But would love to work with you and your folks.

*Mr. Gomez. Yeah. No, and I appreciate that. Oftentimes also we have caseworkers that work with the IRS in different departments, and they do say that they are -- things that used to be -- maybe take a couple of days, maybe take -- something that would take -- all of a sudden that takes a week. Things that would take a week now take a month, and things that take a month are now taking months or are not even resolved yet.

I was curious. The coronavirus, how did that impact your ability to process returns? How did it impact your ability to run the IRS as a whole? And what is being done get people back to full capacity so that we can process people's -- the IRS filings as well as make sure that they are getting their rebates?

*Mr. Rettig. In the end of March, people complain at me and complain. I am the person who shut down 511 facilities, sent home 80,000 employees, as COVID was taking off. We are actually proud of that; our COVID coordinator is also very proud of it because I think we were ahead of the curve. I don't know that any other Federal agency got ahead of it more than us. But it backlogged.

*Mr. Gomez. No. I -- yeah. And I am okay with that because definitely we didn't know we were dealing with. What is the timeline for getting all your people vaccinated and getting them back into a physical location to do their jobs? I am asking the same question for here in the Capitol when it comes to -- I want to see it for Social Security. I want to see it across the government because people rely on the government to function.

So what is the timeline on getting your folks vaccinated and getting them back to work?

*Mr. Rettig. I think you might be aware, the vaccinations are run by States and counties, not by the Federal -- not by the Internal Revenue Service. We do have people, and we have reached out around the country to try to make sure that our people are actually registered in each State. And I guess counties have different -- it is important to us.

We are operating, though, in a socially distanced environment because of telework. We have over 60,000, six oh, employees teleworking, which freed up floor space.

*Mr. Gomez. Good. But you can't tell me it's -- that you guys are running at the same efficiency as you did when everybody -- pre-COVID. That's --

*Mr. Rettig. We are getting close.

*Mr. Gomez. That is nearly impossible. And one of the things that I want to say is if there isn't a dedicated amount of vaccinations, if you are relying on States, then that concerns me a lot that these delays are going to continue. And that is not your fault.

And if there -- I heard otherwise, that there was going to be a plan to get departments vaccinated in order for people to get back to work. And if that is incorrect, then that is something that I want to push on behalf of your department and also my constituents, who rely on a functioning IRS. Thank you, and I yield back.

*Mr. Pascrell. All right. I thank the gentleman from California. And I want to say thank you to our witness for joining us today. And please be advised that the members have two weeks to submit written questions to be answered later in writing. Those questions and your answers will be made part of the formal hearing.

Mr. Commissioner, I thought your responses were thorough to our members, and I appreciate it very, very much. There is -- when we started to answer one question and then other questions came up. We know that. So we might do this again. I don't know if that is a good idea or a bad idea. But we

could think about it. All right?

And I appreciate you being here today, and thank you for your candidness over the last several weeks. And we are going to have a lot more to say to one another. Since you had nothing to do with the decision, see if I can blame you for something on --

*Mr. Rettig. We will give you plenty of things to blame me. It is the IRS.

[Laughter.]

*Mr. Pascrell. Thank you very much. Thank you to the members.

*Mr. Rettig. Thank you all for staying.

*Mr. Pascrell. God bless, and the subcommittee stands adjourned.

(Whereupon, at 4:04 p.m., the subcommittee was adjourned.)

Submissions for the Record:

[Congressman David Wenstrup, Letter](#)

[Congressman Drew Ferguson, Letter](#)

Questions for the Record:

[Chair Pascrell](#)

[Ranking Member Kelly](#)

[Congressman Suozzi](#)

[Congresswoman Plaskett](#)

[Congresswoman Walorski](#)