

**Hearing with the National Taxpayer
Advocate on the IRS Filing Season**

HEARING
BEFORE THE
SUBCOMMITTEE ON OVERSIGHT
OF THE
COMMITTEE ON WAYS AND MEANS
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Hearing with the National Taxpayer Advocate on the IRS Filing Season

U.S. House of Representatives,
Subcommittee on Oversight,
Committee on Ways and Means,
Washington, D.C

WITNESSES

Ms. Nina E. Olson

National Taxpayer Advocate, Office of the National Taxpayer Advocate
Witness Statement



HOUSE COMMITTEE ON WAYS & MEANS
CHAIRMAN RICHARD E. NEAL

ADVISORY

FROM THE COMMITTEE ON WAYS AND MEANS SUBCOMMITTEE ON OVERSIGHT

FOR IMMEDIATE RELEASE
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CONTACT: (202) 225-3625

Chairman Lewis Announces Oversight Subcommittee Hearing with the National Taxpayer Advocate on the IRS Filing Season

House Ways and Means Oversight Subcommittee Chairman John Lewis announced today that the Subcommittee will hold a hearing, entitled “Hearing with the National Taxpayer Advocate on the IRS Filing Season” on Thursday, March 7, 2019, at 10:00 a.m., in room 2020 of the Rayburn House Office Building.

In view of the limited time available, 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, March 21, 2019.**

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.

The Committee seeks to make its facilities accessible to persons with disabilities. If you require special accommodations, please call (202) 225-3625 in advance of the event (four business days' notice is requested). Questions regarding special 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 are available [\[here\]](#).

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THE NATIONAL TAXPAYER ADVOCATE ON THE IRS FILING SEASON

Thursday, March 7, 2019

House of Representatives,
Subcommittee on Oversight,
Committee on Ways and Means,
Washington, D.C.

The Subcommittee met, pursuant to notice, at 10:01 a.m., in Room 2020, Rayburn House Office Building, Hon. John Lewis, [Chairman of the Subcommittee] presiding.

Chairman Lewis. Good morning.

[Chorus of good mornings]

Chairman Lewis. Am I speaking to myself? Am I telling myself good morning?

Let's try it again. Good morning.

[Chorus of good mornings]

Chairman Lewis. It is a beautiful morning. Let's take it all in and just enjoy.

I am delighted and very pleased to see you, Ms. Olson. Thank you for being here. Say it ain't so. Just say it ain't so.

You have been so helpful over the years. First of all, we want to thank you for all of your help and for all of your great service to this committee, the full committee, to the Congress, and to the American people. Thank you.

[Applause.]

Chairman Lewis. Well, our subcommittee is already in order.

Let me begin by thanking Ms. Olson, the National Taxpayer Advocate, for being here today. Thank you for all of your help. Thank you for your service, not just to the committee, but to our Congress and to the American people.

I want also to congratulate you on your upcoming retirement. Thank you for your 18 years of outstanding service to taxpayers and this Congress as our Advocate.

Ms. Olson has worked long and hard on behalf of the American taxpayers. The National Taxpayer Advocate provides a voice within the agency for thousands and millions of Americans. Across this country, Ms. Olson's colleagues help our citizens and assist our case workers in addressing complex tax matters.

In addition, this office acts as the eyes and ears for Congress with respect to problems facing taxpayers. Simply said, we cannot do our job without your great and good work, and again, I want to say thank you for your service. You will be deeply missed, and I am not just speaking words. You will be deeply missed.

Today we will learn what taxpayers face as they attempt to file their tax return. This is a trying and difficult time. Many news stories report that taxpayers were surprised and confused during this first filing season under the new Republican tax law.

We also will examine how the longest government shutdown in the United States history harmed taxpayer services and the agency.

Finally, we reviewed the Taxpayer Advocate's most recent report to Congress. We have shared a mission, obligation, and mandate to make sure that all taxpayers, especially those who are low income, disabled, and senior citizens receive fair, quality, and in-person service.

I look forward to this update and discussion, and once again, I thank the witness, this witness, this public servant for her years of service and for joining us today.

And I am pleased to recognize the ranking member for his opening statement.

Mr. Kelly.

[The statement of Chairman Lewis [follows](#):]

Mr. Kelly. Thank you, Mr. Chairman.

And thank you for holding this hearing today.

First off, Ms. Olson, I cannot believe as I read through your testimony and read through your background what you have actually meant not just to this committee and to the country, but all of our taxpayers. It is an incredible life of service.

I echo the words that the chairman said. I do not think that enough people throughout our Nation understand the dedication that people working within our government have for our citizens.

I keep hearing all the time about, well, I wish they would get something done in Washington. I wish they would get something done in Washington. Boy, they are not getting anything done in Washington.

Then I looked at your resume. I said you have never stopped. You have never stopped working for the American people.

So under your leadership the Taxpayer Advocate Service has helped countless taxpayers in our districts get the information and service they deserve and need from the IRS.

You have also brought issues and problems affecting taxpayers to the attention of Congress, which we greatly appreciate. You are our boots on the ground. You are that listening person. You are the person that is actually walking that walk, not just talking the talk, but walking the walk with our hardworking American taxpayers.

I look forward to continuing to work with you through the end of your tenure, as well as with Secretary Mnuchin to ensure a seamless transition for the Taxpayer Advocate Service.

I would also like to take a minute to thank my colleagues on both sides of aisle for their dedicated work during the last Congress on a bipartisan bill to restructure the IRS. The bill known as the Taxpayer First Act put the focus of the IRS back on customer service and on our taxpayers. It included over 50 provisions which represented the largest restructure of the IRS since the IRS Restructuring and Reform Act of 1998.

And due to the tireless work of Chairman Lewis and then Chairman Lynn Jenkins and their staffs -- by the way, I want to put a little emphasis on their staffs because I think too often members stand up and say, "This is what I got done." It is not what "I got done." It is what we got done. I have got to tell you if it was not for the staff, none of this stuff gets done. None of it gets done.

So listen. We had broad bipartisan support. The bill included a number of common-sense provisions that would help make the IRS a customer service focused agency, putting an emphasis on treating taxpayers with the respect that they deserve and providing them with the service that they so desperately need.

Now, to make sure the IRS is, indeed, customer focused, the bill required the agency to develop a customer service strategy. It allowed the IRS to present a plan to Congress on how to best reorganize itself to carry out its mission of serving taxpayers.

The bill also protected the IRS' low income taxpayer clinics, which are vital for those who cannot afford to hire a tax professional and made permanent the volunteer income tax assistant matching grants program, which guarantees underserved populations access to quality tax preparers, which as the chairman had just talked about is so incredibly important.

Finally, the bill also took on important and long overdue steps to modernize the IRS' IT infrastructure, putting in much needed safeguards to ensure the taxpayer dollars do not continue to be wasted on poorly planned and poorly executed projects.

With one of the oldest IT infrastructures in the Federal Government, it is essential that the IRS overcome challenges to IT modernization, many of which are not solely the result of budget limitations.

So, as we move forward during this Congress, I want to strongly urge that we make redesigning the IRS a priority. We have proven we are able to work in a bipartisan manner on this issue, and, Mr. Chairman, I am committed to working with you on this to see that we get it over the finish line.

The IRS' ability to serve taxpayers comes into focus every year around this time. It is especially true as the IRS and Treasury Department continue to implement the Tax Cuts and Jobs Act.

Through their hard work, the IRS and Treasury have updated countless IRS forms and released a number of very important pieces of guidance and regulations in preparation for the 2019 filing season.

All of this work has helped taxpayers adjust to the new tax landscape. Of particular importance is the revised Form 1040, which simplified filing taxes for many by reducing the number of lines taxpayers have to complete. The IRS estimates that only 25 million taxpayers used the simpler 1040 form in 2017, known as the 1040-EZ.

In contrast, this year nearly 47 million taxpayers will be able to complete the new postcard 1040, according to estimates from your office, Ms. Olson.

The IRS and Treasury also took prompt action to update the 2018 withholding tables to account for the increase in the standard deduction, elimination of personal exemptions, and reductions in tax rates as a result of the Tax Cuts and Jobs Act.

The revisions to the withholding tables aimed to improve the accuracy of withholding so taxpayers could keep more of their own hard-earned money instead of having the government hold onto it interest free until it is returned to them in the form of a refund.

Early filing season statistics show that the average refund amount this year is in line with last year, having even increased slightly. Thus far, the IRS appears to be delivering the 2019 filing season as normal.

Again, I want to thank you, Ms. Olson, for being with us today, and based on your experiences of working with taxpayers firsthand to address their needs, I look forward to hearing your insights on the filing season and what the committee should consider as we seek to refocus the IRS on real customer service.

So, thank you so much for being here, and again, I echo what my good friend, the chairman, says. You have been an incredible champion of hardworking American taxpayers. I thank you for your service.

[The statement of Mr. Kelly [follows](#):]

Chairman Lewis. Thank you very much, Mr. Ranking Member. Thank you, sir.

Mr. Kelly. Thank you, Chairman.

Chairman Lewis. It is good to work with you. Thank you.

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

Do any of you have anything? I am sort of not following what the staff has adjusted, but do any of you have opening statements to make?

Mrs. Walorski. I am going to congratulate this lady whether it is an opening statement or in my remarks. So, you two decide.

Mr. Suozzi. I think we should all take the time right now to thank you for your public service. We are very grateful for the hard work you have done and want to congratulate you on this next chapter in your life.

Chairman Lewis. Thank you.

And now we will hear from our witness. I ask that you limit your testimony to 5 minutes.

Without objection, your entire statement will be included in the record.

It is now my pleasure to introduce the National Taxpayer Advocate. This makes me sort of sad that I will not have an opportunity to introduce you in the weeks, months, or years to come because you have been like a rock. You have been like a person who has been sailing against the wind and having it out during the time of a great storm.

So, Ms. Olson, I want to thank you for being here, for all your help and for all your service over the years. Thank you, and you may begin.

STATEMENT OF NINA E. OLSON, NATIONAL TAXPAYER ADVOCATE

Ms. Olson. Chairman Lewis, Ranking Member Kelly, and members of the subcommittee, thank you for inviting me to testify today about the IRS filing season.

But first I want to thank this subcommittee and the full committee for your support of the Office of the Taxpayer Advocate, its employees, and me personally over almost two decades.

As you know, last week I announced I will retire from the position of National Taxpayer Advocate on July 31st, 2019, after 18 years on the job. I am deeply grateful for the continued interest in and support you have shown for our legislative and administrative recommendations designed to strength taxpayer rates and improve tax administration.

I must add that it is important my successor have the same passion and independent perspective that I brought to the job. The taxpayers of the United States deserve no less.

Because the 2019 filing season began just over a month ago, it is too soon to provide a comprehensive assessment. Trends that are apparent today may reverse.

Today and in my written statement, I present some preliminary data that for the most part reflects the IRS' performance through 4 weeks of the filing season.

I also identify certain issues to keep an eye on in the coming weeks.

The IRS faced two significant and unique challenges going into this filing season, implementation of a major new tax law and a 5-week government shutdown. I commend the hard work and dedication of IRS employees as they navigated through this difficult and very demanding period.

From a big picture perspective, the IRS has processed more than 47 million returns. About 96 percent have been filed electronically. Of all returns processed, 81 percent have received refunds, and the average refund has been \$3,143.

This data is comparable to last years at this point in the filing season.

On the phones to date, the IRS has reported a level of service of 57 percent on the account management lines, the main lines, and assisters have answered only 18 percent of all taxpayer calls, both substantially below last year's levels.

Taxpayers calling the installment agreement balance due line this filing season have fared worse. Only 15 percent of the calls from taxpayers trying to make payment arrangements were answered, and only after an average 60-minute wait time.

The decline in the IRS' telephone service has almost surely been budget driven. We estimate the IRS' inflation adjusted budget is more than 20 percent lower today than it was in fiscal year 2010, and the IRS workforce overall is down by about 23 percent.

Very simply, fewer assisters mean fewer calls answered. I have recommended that Congress provide the IRS with additional funding for taxpayer services in the past, and I continue to do so.

IRS account management employees not only answer calls on the toll-free lines, but also respond to taxpayer correspondence. The IRS shifts employees between the two functions based on current needs. However, it has no good option when phone volumes and correspondence inventories are simultaneously high.

Correspondence inventories are up 152 percent, and over-age inventories are up 333 percent as compared with the same time last year.

So, the IRS cannot shift employees to improve telephone responsiveness without falling further behind in addressing taxpayer correspondence. It is essentially a zero-sum game.

Next, overly broad fraud detection filters cause refund delays for hundreds of thousands of taxpayers. Last year the false positive rate for the IRS' general refund fraud filters was 81 percent and caused a 287 percent increase in Taxpayer Advocate Service cases involving this issue.

The IRS has made changes intended to improve its selection and processing of these returns, and early results are promising, but it is too soon to assess that they are working as intended.

After the enactment of the Tax Reform Act, the IRS redesigned the iconic Form 1040, breaking it up into a main form and six separate schedules and eliminated the 1040-A and the 1040-EZ.

For taxpayers with simple returns, the shorter form provides simplification, but the majority of taxpayers, about 68 percent, will have to complete additional schedules, and the new form is likely to create more complexity.

About 55 million taxpayers who previously completed only the Form 1040 will now have to complete at least two additional schedules to report the same information. That will add complexity and probably increase tax preparation fees.

I recommend taxpayers be given the option of completing either the new postcard 1040 or the traditional 1040, whichever works best for them.

Finally, under the TCJA, a taxpayer must provide a qualifying child's Social Security number to claim the full child tax credit, which has replaced the dependency exemption through 2025. Some religious groups, notably the Amish, do not obtain SSNs for religious reasons.

There are constitutional and other legal questions about whether otherwise qualifying individuals may be denied a tax credit where satisfying an identification number requirement violates their religious beliefs.

The IRS has not decided whether to allow a credit in these circumstances this year, despite having decades old procedures in place to work around the identification number issue.

In my written testimony, we make recommendations to address the concerns I raise here, and we discuss other tax administration issues.

In closing, I want to reiterate my gratitude and respect for this subcommittee and its staff, its staff from whom I have learned a great deal.

I look forward to your questions.

[The statement of Ms. Olson [follows](#):]

Chairman Lewis. Ms. Olson, thank you for your testimony.

Ms. Olson, your testimony paints a picture of an agency in trouble. What grade would you give the IRS for taxpayer service?

Ms. Olson. I am very concerned that the IRS, after years of not having adequate funding for taxpayer service, that it is at a point that it is stretched so thin that things could go very badly wrong or just simply that taxpayers will give up trying to reach the IRS and not get the assistance that they need.

When you look at the numbers of calls that come in, there is clearly an unmet demand, and we are simply not able to answer those calls. You know, when we can only answer 28 percent of the calls coming in, that is a terrible thing.

When we cannot process the correspondence that is in there, that drives people to call us more, and then when they cannot get through, they write us letters, and you see this endless cycle just going on.

For the taxpayer service, the answer is certainly you can get gains from online services and things like that, but the only way to really resolve taxpayer service issues is you need more employees providing those services, answering those calls, and dealing with that correspondence.

Chairman Lewis. Ms. Olson, how long will it take for the agency to recover from the 5-week shutdown?

Ms. Olson. So I had estimated 12 to 18 months, and that was based on my being on daily calls during the shutdown with those members of the IRS leadership who were excepted, myself included, and then looking at the numbers of the correspondence, EITC audits that had not been completed from last year, as well as the fact that the IRS is right now going through their work plans, what they had scheduled to do as work, this year, and they are all adjusting them downward in order to be able to realistically set goals.

And I am worried that what has happened this year with the audits will push into next year's filing season, as well.

Chairman Lewis. Ms. Olson, the chairperson and I wrote two letters asking for information about a survey conducted on the new IRS Form 1040. What do you know about this survey?

Ms. Olson. The IRS, rightfully so, does testing and user testing for most new forms that it creates, and so for the simplified 1040, it contracted to do taxpayer testing with the form. And it is not really a survey. It is observations of taxpayers trying to complete the form or completing the form and then their comments.

And the IRS took their comments and is trying to look at what do we do with changing the form and things like that. So, there is a report, and there are taxpayer comments.

There are also taxpayer comments that have been submitted on the form to a Website, that there is a spreadsheet that contains those comments.

Chairman Lewis. Furthermore, Ms. Olson, a report issued last year said that about 30 million Americans will not have enough tax held from the paycheck to meet the tax liability.

What are you seeing and how has your workload increased this filing season?

Ms. Olson. The thing about balance due returns is that they are usually filed toward the very end of the filing season. So, people wait until the end to pay the bill or if they cannot pay the bill, then that creates work for the IRS after the filing season.

And I said in my testimony that the phone number, the balance due phone line, which is the line that those taxpayers will call if they cannot pay their tax due and get a letter from us saying, "You owe us. Please call this number," that that is at 15 percent level of service, and people have to wait 60 minutes to get through.

That has very great significance if there are 10 million, 20 million, 5 million more people that have to call that line.

Chairman Lewis. Recently we learned that some of the IRS private debt collectors called taxpayers on average of 106 times. Do you think the private debt collection program is one of the most serious problems?

You know, some of us have been questioning this program for some time, and we have not been able to fix it.

Ms. Olson. My focus has been on how the IRS is administering this program and some of the rules it has set for private debt collectors.

And one of my first objections, and the Inspector General has shared this very vocally himself, is that the IRS declined to create a complaint system, a complaint board where taxpayers who are getting 165 calls or whatever could let the IRS know that that was happening to them, and IRS officials would look at it.

There is really no vehicle for taxpayers to file the complaints, and that is different from the last time they IRS did the program before it was suspended. It had a complaint function that you could call.

So just that issue just demonstrates the way the IRS is administering the program.

I have other concerns about the way that taxpayers are entering into installment agreements that they really cannot afford, but the private debt collectors do not take financial information, and so they cannot tell that the taxpayer cannot afford the payment.

Chairman Lewis. And you still think that this program is one of the most serious problems confronting the IRS?

Ms. Olson. Yes. I project it will be on the list of most serious problems going forward, regardless of who is the National Taxpayer Advocate.

Chairman Lewis. Well, thank you very much.

Now, I turn to the gentlelady from Illinois for her questions.

Mrs. Walorski. Thank you, Mr. Chairman.

And, again, congratulations. I wish you the best in the future and am so thankful for the decades of service that you have provided and so thankful just to represent the folks that I do that you have just been a tremendous blessing to. So many callers, so many constituents, so many questions that you have been a problem solver for, and for that I am very, very grateful.

So, this will be one of our last times that we talk about IRS IT systems, and I am grateful. And you are in a vantage point that really nobody else is in. So I just want to talk briefly about where we are with this IT system problem, how we got there, and just would love to hear your vantage point and what we need to do.

And I look forward to working with the committee on making sure that we have bipartisan solutions.

The modernization effort of IRS's IT was one of our top priorities during the last Congress. Over the last two years, we have held a number of hearings and briefings with countless experts in an effort to better understand the challenges and shortcomings in the area with the IRS.

What we found out was really no surprise to anybody. The IRS continues to struggle with everything from undertaking and completing larger IT modernization efforts to even the simplest of IT replacements.

These issues result in millions of dollars of taxpayer money wasted or spent maintaining systems that are no longer useful to the IRS or to taxpayers.

While the IRS faces a number of hurdles as it continues to modernize itself, we have found that many are not solely the result of budget limitations. Instead they are often the result of management failures, poor decision making, or the IRS must demonstrate that it is capable of managing its budget by better prioritizing of its IT investments, providing more transparent reporting to Congress, and ceasing to undertake failed procurements that result in millions of dollars being spent or wasted.

For this reason, I still strongly believe that we need to ensure that the IRS is effectively and efficiently spending the IT funds they already have before giving them any additional funding.

I introduced H.R. 5362, the IRS Information Technology Accountability Act, during the last Congress, and I was happy to see it included in the Taxpayer First Act. My bill would have taken some important steps to prevent future IT boondoggles and instill accountability.

Unfortunately, as you know, we could not reach a final agreement on IRS reform before the end of Congress, but I do hope we are able to, and I continue to want to work with my coworkers to do that.

You know the IRS' antiquated IT systems have real impacts on taxpayers.

From your perspective, and as you look at these real impacts that it does have on taxpayers in your position, what are the types of challenges that you are hearing about directly from taxpayers that are a result of this issue with the IRS and IT?

Ms. Olson. Well, you know, the word "accountability" is incredibly important to me, and I applaud the work that you are trying to do.

My number one legislative recommendation this year was both, yes, to give the IRS a dedicated funding stream for the big leap of replacing our core systems that are the official record of taxpayer accounts so that they are 21st Century technology as opposed to 1960s technology.

But that is a huge leap, and you cannot give them a blank check, but there has to be oversight and independent assessments every step along the way, you know, third party assessments saying: is their plan right? Is it too ambitious? Are they really telling you what they can do or cannot do? Are they being honest about the challenges, not whitewashing them?

And then every year before any more money comes to them, there is that update.

From a taxpayer perspective, the fact that we have this 1960s technology and 60 case management systems that hold information about the taxpayer and there is no one 360-view of the taxpayer means that if somebody calls up on the phones, it may be that that employee cannot see the information in the system, something as simple as the taxpayer saying, "I made a payment last week," but it has not gone through our weekly cycle update to get into the system that this employee can see. We cannot tell them whether that payment has been made.

So things like that, we want to do online services and create a robust online account, which may pull people off the phones, help in that area, but if you have to pull data from 60 different case management systems to create a robust online account, you are doing custom

programming to each and every one of them, and we are spending operations and maintenance money every single day to keep those systems up to date.

If somebody does an upgrade, you have got to reprogram again, and that goes into this sink hole. You know, that is why I have really focused on, yes, there are things we need to do around the margins, but individual master file and business master file, those core systems, and a 360-degree database of taxpayer information is core.

And I do not know what it is going to take to do that, but it needs, as you said, accountability, transparency, and I do think it needs more money.

The last thing I will say is what really got the IRS into trouble back in the 1990s that led to the Restructuring Act of 1998, in part, was the failure to really monitor in the procurement area its prime contractor so that there were huge cost overruns and changes, change orders and things like that, and no one was really minding the store.

You have to have really talented procurement people monitoring these contracts. So that is another transparency and accountability area.

Mrs. Walorski. Absolutely. Thanks, and congratulations.

Thank you, Mr. Chairman. I yield back.

Chairman Lewis. The chair is now pleased to recognize the gentlelady from the State of Washington for 5 minutes.

Ms. DelBene. Thank you, Mr. Chairman.

And, Ms. Olson, I also just want to extend my thanks and congratulations to you on your retirement. But thank you for all of your service. It has made a huge difference for taxpayers in my region and across the country, and you definitely have been an incredible resource for this committee.

In fact, last month I had a very informative meeting with our local taxpayer advocate for Washington State, and he talked about a lot of the important work being done for our taxpayers and the help that has been provided to help folks with their taxes and challenges that they have had with the IRS.

We were just talking about IT, and I know you stated in your recent annual report to Congress that the IRS has profound information technology systems issues, and we just talked about that a little bit. When you think about the outdated, the 1960 systems that you talk about and you alluded to this in your testimony a little bit, too, what about the security risk to personal information and privacy for taxpayers?

Ms. Olson. I think that there are two risks there. One is, you know, the IRS' systems are, you know, there are hacking attempts this second. I just keeps happening and happening and happening. We have the motherload of financial information and family structure and employment data about taxpayers.

I think the IRS does an incredible job of protecting that. In fact, sometimes that is why taxpayers cannot create online accounts, because we have such high authentication standards that they fail them. The legitimate people fail them.

I think where our biggest challenges are is that identity theft has been going on for so long now, you know, 13, 20 years, and the thieves have gotten so sophisticated they are getting information not from the IRS; they are getting it from other entities, hacking into other entities, phishing companies to get full W-2 datasets.

And once somebody has that, it becomes very difficult for the IRS to tell whether you are the legitimate person or not the legitimate person because the thief looks identical and has all the information about that taxpayer.

And that is the challenge that the IRS is really thinking about a lot. So on its cyber side, it is very much monitoring what is happening to its systems.

On one hand, having 1960s systems is a positive thing because no one knows the language anymore. So, I mean, who can get in? I do not mean that facetiously. I mean, because it is such a dinosaur, there is that.

Ms. DelBene. And then it has other consequences for taxpayer services, too.

Ms. Olson. But then it has other consequences.

Ms. DelBene. Yes. Switching gears a little bit, the gig economy is an area of concern. There are many workers now in this economy, and you know, it could be time to review the reporting rules related to these workers.

I wondered what you thought about new systems to help the gig economy workers, whether a withholding system or something like that would help these workers when it came time to file their taxes.

Ms. Olson. Well, the first thing is I do support the proposals that have been put out, to both raise the non-employed, self-employment reporting from \$600 to \$1,000 a year per service recipient, but then lowering the 1099-K threshold from \$20,000 to \$1,000.

I think that brings parity between the different populations of service providers.

I think that I have proposed in the past voluntary withholding for independent contractors, so people could say, "I have a really hard time saving and paying quarterly taxes. I want the person to go ahead and withhold something at a flat rate from whatever they are paying."

And on a voluntary basis, I think that would work very well, but once you have that issue, once you have a balance due, you may not want to have it again and you would participate in that system.

Ms. DelBene. And have you been hearing from folks, gig economy workers, in your office with questions?

Ms. Olson. Yes, we have, and we are also trying to work on that. You know, we have proposed that the IRS create a publication just for gig economy workers because the things that are of importance to them are spread out between five or six different publications that are like 400 pages long combined.

That was one of our recommendations. The IRS said no. So my staff is trying to pull together a draft publication, and then we will give it to the IRS and say, "Okay. We did your work for you. You publish it." So we will see.

Ms. DelBene. Okay. Thank you.

And I yield back, Mr. Chairman.

Chairman Lewis. Thank you.

The chair now is pleased to recognize the gentleman from Illinois.

How is your father doing?

Mr. LaHood. Thanks for asking. He is doing well, Mr. Lewis.

Chairman Lewis. Please tell him I said hi.

Mr. LaHood. I surely will.

Chairman Lewis. I miss seeing him.

Mr. LaHood. Thanks.

Chairman Lewis. I would tell him that you are doing a great job.

Mr. LaHood. Thank you. If you see him, Mr. Chairman, see if you can ask him to work on college funds for grandkids. That is what I --

[Laughter.]

Chairman Lewis. I will. I will.

Mr. LaHood. Okay. Thank you.

Chairman Lewis. Thank you.

Mr. LaHood. Thank you. Thanks, Mr. Chairman.

And, Ms. Olson, thank you for your service to our country as our Taxpayer Advocate, and we are indebted to your service, and you will be missed. So thank you.

I want to talk a little bit today about Taxpayer Advocate Directives, and it is something that I have focused on, and in your statement announcing your retirement, you mentioned that one of your priorities before you retire is to publish guidance on Taxpayer Advocate Directives.

Currently or, I guess, in 2018, how many Taxpayer Advocate Directives did the Taxpayer Advocate issue to the IRS?

Ms. Olson. I think I only issued three. I threatened to issue many more.

Mr. LaHood. Okay. And are there currently any restrictions or limitations in the Taxpayer Advocate Service's ability to issue these directives?

Ms. Olson. It is not so much the issuance. It is there are steps that we have to take that I think reduce our ability to immediately get attention to the issues, and that is something that I want to get clear in the guidance that I issue.

My main concern has been the appeal process, where getting the senior leadership of the IRS to look at these things and respond specifically to us.

Do not give me a half page memo saying, "We are not doing it because we said so," you know, but specifically laying out why they are not going to do what we are ordering them to do.

And then the appeal process from that up to the Commissioner.

Mr. LaHood. Got you. On average, how many days did it take the IRS to respond to the directives in 2018?

Ms. Olson. In 2018, they were pretty good. I would set the deadlines, maybe 30 days, sometimes 60 days, and they would respond.

Mr. LaHood. Within that time frame?

Ms. Olson. Within that time frame. My major concern was the quality of the response.

Mr. LaHood. And is the IRS required to respond to the directives at all or within a specified amount of time?

Ms. Olson. There is no statutory authority. So it is just I say in the directive, "Respond within these days," and if they do not do it, I have no authority to enforce it, unlike the taxpayer assistance orders in the law.

Mr. LaHood. And if I understand your answer, prior, in 2018, they were responsive during the period of time.

Ms. Olson. They were, but other times they have not been.

Mr. LaHood. Got you.

Ms. Olson. You know, 200 days before I would get a response.

Mr. LaHood. And if the IRS decides to modify or rescind a directive, can you appeal that decision?

Ms. Olson. Depending on the level, I can appeal it up to the Deputy Commissioner, and I would then have to raise it in a conversation with the Commissioner, but there is no formal procedure for appealing it to the Commissioner, and that is my concern.

These are issues. These are systemic issues that I should be able to appeal the Deputy Commissioner's decision to the Commissioner.

Mr. LaHood. And has that change been recommended?

Ms. Olson. I have recommended that, and I will be putting it in our guidance, but it is just guidance, and it is not requirement.

With the taxpayer assistance orders, which are about specific cases as opposed to systemic issues that affect many taxpayers, the law says that the Commissioner or the Deputy Commissioner can overturn or modify my order, and so built into the law is an appeal to the Commissioner.

But that does not exist in the Taxpayer Advocate Directive because it is not statutory. It is just an administrative thing.

Mr. LaHood. And what is the status on the guidance that will be put forth?

Ms. Olson. We are about to put it into circulation with the IRS, and it will circulate for about 30 days, and I will hear what they think about what I am putting into place.

I will be glad to share that with you if you would like.

Mr. LaHood. And will you still be in your position when this is completed?

Ms. Olson. I am hoping that it will be completed and what I can leave for the next National Taxpayer Advocate in a strong position, and if not, I will be bringing that to your attention in the June Report to Congress.

Mr. LaHood. Well, obviously, I think that guidance will be very important for future folks in your position. So, again, thank you for your service.

Ms. Olson. Thank you.

Chairman Lewis. Thank you.

The chair is now pleased to recognize the gentleman from Pennsylvania.

Mr. Boyle. Thank you, Mr. Chairman.

And congratulations on your upcoming retirement.

This might be still a bit too early to really delve into this. So perhaps it is better for, you know, a month or two from now, but based on what we know now, what information could you offer with respect to those who might have the rude awakening of being faced with the underpayment penalty?

Because I am specifically thinking about those who are in areas that the limit on SALT at \$10,000, which California has gotten a lot of attention and New York, New Jersey. I would also point out for those of us in the Philadelphia area, especially if you live in a suburb of Philadelphia, pay high property taxes, support great school districts, work in the City of Philadelphia with its wage tax, combined with the State income tax, suddenly you are upwards of 7 percent of your income before you even get to the property tax bill.

There are a number of constituents of mine who now are severely under that limit of \$10,000. So I'm wondering to what extent you could shed some light on how many are suddenly being faced by this underpayment penalty.

Ms. Olson. You know, the only numbers that I have are what the Government Accountability said overall, that possibly 30 million taxpayers would be under withheld, but I do not see the numbers that they might have projected for State and local.

I am very concerned about this because it also creates more work for the IRS and burden for the taxpayer, but I do not think we will know, again, until the end of the filing season because that is when the balance due returns come in.

One thing I will say. You know, the Treasury Department has said that for underpayment of estimated tax, you know, that they will waive that penalty if you have paid 85 percent of the year before. Now, for the 1986 Tax Reform Act, which was the last major tax reform, Congress waived the estimated tax penalty completely for the first year because you just could not project as hard as you wanted to.

Mr. Boyle. Sorry. Was that a subsequent act of Congress or was that actually in the act?

Ms. Olson. That was actually in the act, and the other thing that they did though is they also mandated that everybody had to submit a new W-4.

In this act we do not have the requirement that people submit a new W-4. It is just voluntary. So that is where you get some problems, and the Treasury Department is using its discretion to waive it for 85 percent of the payments.

I have been sort of advocating why are we not in this first year doing what we did for 1986, and there is really no prohibition against it for, you know, the administration to say, "Yes, let's do that."

I will be watching that, and that may be a Taxpayer Advocate Directive, you know, saying it is just all of the uncertainty.

Mr. Boyle. Yes.

Ms. Olson. Whether it is State and local or, you know, W-4s or people just not paying attention. Let's get it right this first year. Give them a break.

Mr. Boyle. Well, Ms. Olson, I want to thank you for clearly you are already looking in this direction.

Dovetailing on what Ms. Olson just said, I would urge us in the committee in the next 6 weeks to 8 weeks or so to revisit this topic and would support her suggestion that we do all that we can in this first year to make sure people are not really unfairly penalized by this change in the law.

Thank you. I yield back.

Chairman Lewis. I thank the gentleman from Pennsylvania for that recommendation and suggestion. Thank you very much.

I now recognize the gentleman from Ohio for 5 minutes.

Mr. Wenstrup. Thank you. Thank you, Mr. Chairman.

Thank you, Ms. Olson, for being here. Thank you for your service to the country, to all of our constituents and U.S. citizenry and the hard work that you have put in, and truly in the name of service, you have done that. It is appreciated.

I do want to talk briefly about the Volunteer Income Tax Assistance Program, which I know you are very familiar with, and I will be leading a bipartisan bill and appropriations letter with Dr. Davis later this month.

You know, the provisions of this bill were in the Taxpayer First Act last year here in the House, and the program is intended, for those that do not know, to help low income Americans be tax compliant in filing their taxes.

In your organization's view, is the IRS effectively managing the VITA Program, as we call it?

Ms. Olson. You know, I feel that it is doing what it can, but I think that if it had more employees to support that program, that the program would be able to do so much more.

It has also limited what some of the programs can do. A lot of them want to do simple sole proprietorship schedules or farmers schedules, and it is sort of discouraged because the IRS does not provide training on those issues.

And so I think having a grant program that is statutory that spells out you should look in these areas, as your legislation does, is just really going to focus the IRS to give more support and direction to the program.

Mr. Wenstrup. And to that point of the grant, what would the advantages or potential disadvantages be of the grant being on a permanent basis?

Ms. Olson. I think, first of all, I just know from the Low Income Taxpayer Clinic Program, which I administer, it gives a structure around it, and it gives us the sense of how Congress wanted us to use these funds.

And we have used that directive in the law, to actually develop a whole infrastructure for the program and guidance for the program that does not really exist for the VITA program, and support for the program.

In my office, we have analysts who are actually advocates for the LITC. So if they have troubles in certain areas, we go out and we help them solve those problems. And I think a

permanent structure and a permanent basis would really say, yes, we are going to dedicate those kinds of resources to those wonderful programs who are doing really good work.

Mr. Wenstrup. Thank you.

Do you believe the IRS could improve the awareness of the program amongst potential volunteers?

And how can we help with that, if you will?

Ms. Olson. Well, you know, it has a Web page and a phone line, but if you call, it is not really updated a lot, and I think that, again, it is not a question of willingness. It is a question of do you have the staff to really put to this and do what could be done.

And I have talked to some of the VITA sites, you know, and they really treasure their relationship with the IRS employees. So they sort of do not want to criticize them, but I think they really feel like they need more support, and they would love to have more publicity.

It is not just putting it up on the Website, but really somebody out there talking about it.

Mr. Wenstrup. When you have a program that is truly making a positive difference, you know, the concerns are awareness and access. Do you think there is a shortage of volunteers or we could recruit better?

I think what you are saying, ma'am, is that if we had more employees managing this, everything could flourish a little more.

Ms. Olson. Yes. I do not think it needs a huge infrastructure. It could just even be five more employees, but that would be a great support.

I think the access issue is a question. The IRS is focusing on large programs because that is easier to administer, but that may work against the rural areas or the less populated States where you maybe need a smaller grantee. You know, it is not part of an umbrella organization or it is a more rural organization, and it does not have the resources that other places do, but it is a really important location.

Mr. Wenstrup. Yes. It is a problem in my district. It is both urban and rural, and so it is a problem in either place, but with different needs sometimes.

Ms. Olson. Different issues.

Mr. Wenstrup. Yes. Listen. Thank you very much, and again, I appreciate your service.

Ms. Olson. Thank you.

Mr. Wenstrup. I yield back.

Chairman Lewis. Thank you.

The chair now is pleased to recognize the gentleman from New York for 5 minutes.

Mr. Suozzi. Thank you, Mr. Chairman.

Ms. Olson, thank you again for your service.

I am from New York. We do not like the tax bill. It was bad for us in New York. In fact, every Democrat and every Republican on Long Island and in New York City voted against this tax bill. There are a lot of reasons, but the main reason is because of the capping of the SALT deduction at \$10,000.

So a lot of people's taxes are going up, and I am going to tell some stories about that if I have time at the end of my questioning of you.

But I think that this is a bad news story for a lot of people throughout the country. So the staff here gave me some information that they got from the IRS that as of February 21st, there were 783,000 tax returns with errors that needed to be resolved by an IRS employee, a 200 percent increase over the same time last year.

Are you finding that same type of thing in the work that you do?

Ms. Olson. This is one of the areas that I am monitoring like a hawk. This is called the error resolution system, and it is where there is something wrong with the return. It is not fraud. It is that someone --

Mr. Suozzi. No, no. It is errors, 200 percent increase in errors.

Ms. Olson. And it is a huge increase.

Mr. Suozzi. Okay. That is all. I want to just demonstrate that.

You know, we were talking about, during this tax reform process, how we were going to simplify everything, but now we have seen a 200 percent increase in the number of errors.

I am looking at your testimony that you gave here. It says that assisters have only answered 18 percent of taxpayer calls, substantially below last year's levels. That is bad news, right?

Ms. Olson. It is terrible news.

Mr. Suozzi. I mean, I am looking at the statistics. People have to wait 17 minutes before they can talk to someone on the phone. I mean, I complain about the Federal Government. It is calcified and sclerotic. It is this big, huge, massive, hulking entity, and I have been on the phone with the Federal Government before and different agencies. I am not just picking on one agency in particular, but we will pick on the IRS today.

But 17 minutes you have to wait, and only 18 percent of the people's calls get answered. That is upsetting.

Ms. Olson. Yes.

Mr. Suozzi. Think of how frustrated we get when we are on the phone waiting for people 17 minutes, and only 18 percent get answers.

The IRS is facing significantly larger correspondence backlogs than this point last year. Bad news.

Ms. Olson. Yes.

Mr. Suozzi. Tax law questions, TAS testers calling the toll-free lines with sample questions have received inconsistent service and inaccurate information.

Ms. Olson. Yes.

Mr. Suozzi. Bad news. The Form 1040, oh, we are going to simplify. We are going to have a postcard. It is going to be so simplified, Form 1040. But for the majority of taxpayers who will have to complete additional schedules, the new form is likely to create more complexity.

Ms. Olson. Yes.

Mr. Suozzi. That is bad news. This is all bad news about this tax bill and the impact that it has had on real people's lives.

You actually said in your testimony, and I just want to repeat this because you do not even have to answer it. I am just going to read your testimony that you said here.

"I am concerned that the new Form 1040 will cause additional complexity and hassle for many taxpayers and preparers."

You have been doing this for 18 years. You are an independent person. You are not a Democrat. You are not a Republican. You are a professional public servant. Everybody is grateful to your service, and you are saying, "Boy, in my independent judgment, the new Form 1040 will cause additional complexity and hassle for many taxpayers and preparers. While most taxpayers who self-prepare their returns will use software, some like to make entries directly onto Form 1040. Now they will have to work through multiple forms and schedules and carry totals from schedules to the main Form 1040 increasing the risk of errors."

That is bad news. So this is bad news for my taxpayers because the taxes are going up. In fact, of the 176 congressional districts, according to data from previous years, that have a SALT deduction greater than \$10,000, 49 of the top 50 are from New York, New Jersey, and California, and we heard our colleague from Pennsylvania talking about how Pennsylvania is getting treated badly. I guess Mr. Kelly sees some of the same thing.

So we have got a problem with this tax bill certainly in New York and in New Jersey and in California, and in other places in this country, and this was sold as a tax decrease.

And, in fact, I had a woman call me up the other day. How much time do I have? Forty-seven. She called me up. She is crying on the phone, and the problem is the country is so different from place to place. People do not appreciate how different it is from place to place.

This woman, if you heard her story in other States, you would say, "Oh, she must be in great shape." Between her and her husband, she is a registered nurse. She works 50 to 60 hours a week. Her husband is a retired union supermarket worker. They made \$160,000 between the two of them. That sounds, wow, \$160,000.

She is choking. She has \$300,000 in student debt for her children. She has got a \$400,000 home. Other people say, "Oh, \$400,000 home, she must be rich." No, she has got a

leak in the bathroom. It is leaking downstairs into the rooms downstairs from the bathroom upstairs, and she has not fixed it for years, and her taxes have gone from getting a refund, but she is getting an increase this year because of the elimination of the SALT deduction.

So we have to accept the fact that in America we are all Americans, but certain places are getting hit very badly by this tax bill, and it is hurting the people of New York. And New Yorkers are Americans, too, and so are the people in California. They are Americans, too, and the Americans did not all get a tax cut. And New Jersey, they are even Americans, as hard as that is to --

[Laughter.]

Mr. Suozzi. So these people are getting hurt by this tax bill, and it is just not fair, and we need to understand.

I was talking to a friend of mine from Oklahoma the other day, and I am sorry for going a little bit over, Mr. Chairman. And he is saying, "Boy, a \$400,000 home in my district, you would have brand new house with granite countertops, a brand new bathroom, an in-home theater on an acre of property."

In my district, \$400,000 and you are in trouble. You are having a hard time. So we have to recognize the country is different from place to place, and this tax bill was a punch in the gut for my district and for many other places in my region and in many other places throughout the country.

And on top of it, not only being bad from a tax perspective, from your bailiwick, okay, is that there are a lot of errors and mistakes. This is not simplified, and this is calcified, sclerotic, broken operation.

And I wanted to talk about the computers, too, but I am sorry.

Thank you, Mr. Chairman.

Chairman Lewis. I thank the gentleman.

The chair is pleased to recognize my friend and my brother, the Ranking Member from Pennsylvania.

Mr. Kelly. Thank you, Mr. Chairman.

Chairman Lewis. Mr. Kelly.

Mr. Kelly. Thank you. Thank you.

Ms. Olson --

Chairman Lewis. How is your grandson doing?

Mr. Kelly. My grandson is fine.

The chairman made a great contact with my grandson. We went to the 50th anniversary of crossing the Pettus Bridge, and actually we were able to walk with the chairman, and at the time he was only, I think, six or seven years old, and so I told him we were going across that bridge. I have pictures of the chairman with him as we were walking and in the hotel before we left.

But my little grandson George was really so impressed with Mr. Lewis, and he said, "Grandpa, this is really good. We get to walk across the bridge on the 50th anniversary."

I said, "George, I will tell you how impressive I am with this. We are coming back with Mr. Lewis, and we are going to walk across this bridge for the 100th anniversary."

And he said, "Grandpa, how old are you now?"

[Laughter.]

And I said, "Well, I am 64."

He said, "I do not know that you will be walking."

I said, "Okay. Well, then you can push me across."

But you made such an impression on him. I think of all the things that we do in this Congress, and I know we disagree on a lot of things, but what I do not think we disagree on, a number of great people that serve.

You have made such a big difference in the lives of so many. I thank you for that. That little boy will remember that forever, and now he is 13 years old. He is actually taller than you now. So those pictures he was down here so now he has gotten a little bit bigger, but you know what? He is still strong in his belief in you and this great country. So.

Chairman Lewis. We will not hold that time against you.

Mr. Kelly. Yes, yes. Okay.

[Laughter.]

Mr. Kelly. Yeah. Well, you know what? I really am concerned. I want to get back to third party contacts. I think that a lot of the things that we do, and I do not mean this in any way to be disrespectful of the IRS, but I do not think there is anything more chilling in a taxpayer's life than to get -- and, by the way, you will get a letter. I have had many calls of people telling me they are from the IRS and they need to talk to me about something.

I will say, "You know what? I am busy right now but give me your number and I will call you right back," and all of a sudden there is just a real quick click.

But contacting third party contacts, and sometimes this takes place where a friend, a neighbor, a coworker gets contacted by the IRS during an audit.

Are you satisfied are the taxpayers themselves being notified ahead of time?

Ms. Olson. We had made this a most serious problem a few years ago in response to concerns that were raised in cases we were seeing, and you know, the whole point of why Congress enacted this in 1998 was to give the taxpayer a chance to provide the information before the IRS made those contacts.

So the law was inform the taxpayer that you are going to make these third-party contacts so the taxpayer could say, "Well, here, let me give you the information and maybe you will not have to contact my clients or my customers," or something like that.

But the IRS has sort of written out of existence that notification requirement. It puts it in Publication 1, which it sends at certain times. It is in boilerplate language in the back of a lot of language on that form, and it says that that meets the legal requirement.

And my position is it does not, and what we did was we looked at cases where the IRS had gone out and made third party contacts and found that in most cases there was not a specific determination that they could not get the information from the taxpayer. They just wanted to go out and do that third-party contact.

The Ninth Circuit just 2 weeks ago came down on a decision in a case citing our work, which made me very excited, ruling that in this case where the taxpayer said, "You went out and contacted people and you should not have." The court held Publication 1 did not constitute notice. It was just stuck there, and I thought that was a very strong decision.

So this requires some oversight, I think, from Congress to make the IRS do it right. There is nothing wrong with the law. The law is well written. It is that the IRS needs to implement the law as it is written.

Mr. Kelly. Yes, but a lot of these things as they have gone on, I think it becomes an us versus them or a them versus us type of a situation.

The IRS really is a service center. It is a revenue collector and an enforcer, but I have always worried about the people that there is such a chilling effect any time you get anything from the IRS because you think right away, "Ut-oh, they are coming after me."

Ms. Olson. Right.

Mr. Kelly. And I think if we can get through that it will make it a lot easier on our taxpayers. You should not be that intimidated by any one agency of the government.

Ms. Olson. Right.

Mr. Kelly. But this one does seem to have the most influence.

Ms. Olson. Right.

Mr. Kelly. One of the other things I wanted to talk about is in the last Congress we developed a Taxpayer First Act. That was in a bipartisan, bicameral manner and including a number of recommendations from your office.

Is that a bill that you support?

Ms. Olson. I am very supportive of the bill. You know, there are some things in there that I have been talking to the staff about, just tweaks, but I am so supportive of a focus on the IRS and its organization.

The work that you have done about the Office of Appeals, for example, you know, creating an independent Office of Appeals, these are all very important things to do.

And you know, it is 20 years since the Restructuring Act, and it is the 21st Century. So it is well worth looking at what more can we do and making it a service-oriented organization.

The IRS still views itself as an enforcement agency, and I feel that you should not have that break between service and enforcement. When your trying to enforce the law, you still provide service. So I do not see it as, you know, either/or.

And I think looking at the structure of the IRS to reinforce that message that it is not either/or is an important thing.

Mr. Kelly. Well, let me ask you because there are so many different agencies throughout our government. Your position as an advocate, what do you think about the other agencies throughout the government having these same types of services available?

Because when I am back home, and we all represent 705,000, 680-something thousand people, right? So there are a lot of people, but I have gotten to the point that when I get back home, what I get most of the time are concerns that people have that they cannot connect with the agencies that are supposed to serve them, and they feel almost like, again, it is, again, an us versus them.

So how do we turn that page?

And it would have to be through advocacy groups. I know with our veterans back home, because I have a large number of veterans in my district --

Ms. Olson. Yes.

Mr. Kelly. -- they really need that help navigating these very complicated services.

Ms. Olson. And that was going to be an agency that I would recommend, and I know there are many support groups outside for the veterans, but having someone inside the agency that knows how it operates and has the equivalent of what I have got, a taxpayer assistance order, that can order the agency, for example, to expedite this review, you know, look at this documentation. This is creating significant hardship for this person, your normal processes.

The same thing with Social Security on the disability side and other processing. Anywhere where you have got these big processes, and, yes, there are advocates outside, but they cannot see what is going on inside.

I would heartily recommend that, and I would be more than happy to work with your office, you know, to work on the design of something like that.

Mr. Kelly. I would really appreciate that, and as you wind down your service, looking over your years of experience, you can probably set up guidelines that could be taken across the board here on how we can become better servants of the people who elect us to represent them.

Ms. Olson. Yes.

Mr. Kelly. So, again, I want to thank you.

One thing I do want to submit for the record because I know there are questions that go back and forth. This is an IRS document, by the way. This says the average tax refund from 2013 to 2019 filing seasons, through the fourth week of February, we have actually gone from back in 2013 where the refund was \$2,944 but to \$3,143, which is the highest it has been.

I know there is a lot of concern about going into a new tax code and how difficult it is and how much it is hurting different people, but there is a lot of other information out there that says, you know, we are heading in the right direction.

I know it is complicated. I know it is difficult, but it also solvable. If we cannot solve it here in the United States, than it cannot be solved anywhere in the world.

So, again, I want to thank you for service.

Mr. Chairman, again, thank you for having this hearing.

Ms. Olson. Thank you.

Chairman Lewis. Thank you, Mr. Ranking Member. Thank you.

Without objection, this will be submitted for the record.

[The information [follows](#):]

Chairman Lewis. Thank you.

Now I am pleased to recognize the young lady from the Great State of Wisconsin.

Ms. Moore. Thank you so very, very much, Mr. Chairman.

And let me say parting is such sweet sorrow. I just met you, Ms. Olson, as a new member of this committee, and I do want to thank you just sincerely for your service under these horrific conditions of being underfunded and the frustration that that brings to taxpayers. I know it must be double, triple, quadruple for you.

And so we want to thank you for your endurance.

I want to talk a little bit, and you will see where I am going because I want to talk a little bit about how the resources that you do have are being used and what class of taxpayers are being used, and I just noticed from a report I am reading here from the Center on Budget and Policy Priorities that the audit rates for individuals and corporations continue to decline, and it has gone down, from just from 2011 to 2017, 12.5 percent audits down to 4.4 percent.

And, of course, the tax law has changed. There is a great deal. There is a tax gap that they do every year, and I guess the last report I have is for 2008 to 2010, which was about \$458 billion. I mean, there are real consequences, real money, revenue that is not coming in. And we have incentivized it by not funding the IRS.

That being said, I am sure it is a fair statement that technology would help you collect some of these folks. I did look at the YouTube video of your systems because it was so unbelievable. I had to get a visual of that.

But I want to know a couple of things. The debt collection process, is there a class of taxpayers that these folks are going after? Are they going after these high-end taxpayers or are they going after people of more modest means?

Ms. Olson. Well, the way the law is structured, the cases that go out to private debt collection are ones the IRS has not touched for a period of time, and so the way the IRS looks at cases, and we have criticized them for this, is that they look at the dollar level of the cases rather than the newness, for example, of the case.

Where the debt is fresh you actually have a greater chance. Whether it is high debt or low debt, you just have a greater chance of collecting it.

So what tends to get attention from the IRS are the larger debts and the older debts.

Ms. Moore. Okay. Thank you. Because I want to ask you something else because I got an answer to my question.

Ms. Olson. Yes. Okay.

Ms. Moore. The EITC withholding, I was very disturbed by the 2015 PATH Act, which says we are going to withhold the entire refund if any part of it has the EITC claim in it, and of course, that comes under your serious problems issues.

And there is very little fraud comparatively speaking with EITC. The biggest problem is people do not use it, but tell me about the hardships of people having to wait.

You know, are we putting more enforcement effort into denying poor people their refunds than we are in collecting taxes? That is my question.

Ms. Olson. Well, the EITC taxpayers are audited more than any other taxpayer other the wealthiest taxpayers in the United States. So when you look at their audit rate compared to the overall audit rate or everybody in the middle, the only people who are audited more are the 1 percent. So there is that.

I think actually that the delay in the refunds was actually an effort to try to keep people from being audited, that you would up front match the W-2s from the employers with the income reported to the taxpayers so you could correct any errors that might happen in the filing season rather than have to come back later after they have gotten the money and try to get it back from them and audit them.

And it creates a burden because most of those taxpayers came in last two weeks of January and now they are basically waiting three more weeks, if not more, to get a refund that they desperately need. So it is a tradeoff, and it is difficult.

I have actually said maybe we should look at for everybody not paying out refunds until after we have gotten all of the returns in and can do a good look at all of the returns. Rather than

just focusing on EITC gives the IRS a chance to make sure we are not paying out money anywhere else and then issue refunds, you know, say a month, a month and a half after the filing season ends.

Everybody knows this is when you are going to get your refund. That has a big impact on the economy. It is not going to go anywhere.

Ms. Moore. Or just hire enough people.

My time is gone. So I yield back.

Chairman Lewis. Thank you.

The chair is now pleased to recognize for 5 minutes the gentlelady from California.

Ms. Chu. Thank you so much.

Ms. Olson, I want to thank you for your many years of service to the taxpayer community. It has done us so much good. I appreciate it.

The Republican tax law made such severe changes to the tax code by eliminating such things as personal exemptions and capping the State and local tax deduction, and so I have long been concerned about taxpayers inadvertently under withholding their tax liability this filing season.

So I would like to follow up on Mr. Boyle's questions. The IRS updated the withholding tables, but then my fears were confirmed when the GAO released a report last July saying that one in five taxpayers or 30 million families will under withhold if they do not immediately update their withholdings.

And so the IRS introduced the withholding calculator to help taxpayers assess their tax liabilities, their new tax liabilities and determine the changes that they needed to make with their employers.

But assessing these changes proved cumbersome for many, and H&R Block found that only one in five taxpayers updated their Form W-4 after passage of the tax law.

My office heard firsthand from taxpayers who were not even aware that they were supposed to do that, and some were finding the process just too difficult and ultimately did not update the document with their employer.

So, Ms. Olson, how did you determine the amount to withhold from your own salary? I hear that you have a little story there.

Ms. Olson. Yes, you know, I am an IRS employee. So if I do not get it right, then I am fired. Okay? So there is that.

So I had high motivation, and I tried it three times to calculate. I first went through the W-4, the new W-4. I then went to the online calculator and I got a different answer there, and then I just went to the estimated tax form for 2018 and used the schedules off of that, and I finally sort of came up with a dollar amount that I knew needed to be divided through the pay periods that I had remaining in the year to hit, you know, the number.

And I thought I put in the right number of allowances. It took me three paychecks basically, six weeks before I got what I thought was the right number to be withheld from mine.

Now, I have not done my taxes so far this year. So we will see whether I am right or not, but it was just very complex to do that, and I am pretty plain vanilla.

Ms. Chu. Well, considering what an expert you are, I am just astounded by that.

And I know you mentioned that the last time the tax code was overhauled in 1986, the drafters included a blanket waiver of penalties for underpayments caused by the changes of the tax law, and I believe that provision was included because they knew the taxpayers would face the same withholding challenges that the families are facing today.

And, in fact, in their October 2018 report, the Information Reporting Advisory Committee recommended that the IRS waive underpayment penalties for the 2018 filing year.

So based on your experience with this filing season, do you believe that some further form of relief should be provided, and is it appropriate for Congress to act now?

Ms. Olson. Oh, absolutely. I mean, I think the IRS should do whatever is in its administrative ability to provide relief. If Congress could, you know, take some action on that like they did with 1986, that would be excellent.

I just think that would calm everybody down.

Ms. Chu. Well, thank you for that because that is why I have introduced H.R. 1300, the Taxpayer Penalty Protection Act, and I am pleased to announce that Senator Gillibrand introduced the Senate companion just yesterday, H.R. 1300 which shields taxpayers from underpayment penalties for the 2018 filing year as long as they have withheld 80 percent of their tax liability for the current year.

The bill has been endorsed by the nonpartisan American Institute for Certified Public Accountants.

And, Mr. Chair, I would like to submit for the record the CPA's letter of support for this legislation.

Chairman Lewis. Without objection.

[The information [follows](#):]

Ms. Chu. Thank you.

I have heard from so many families in my district that rely on their refunds to make ends meet, to pay down bills and to save for the future. Thanks to the Republican tax law, many owe the IRS and could be hit with these additional penalties.

Filing season is now in full swing, and I urge the House to act as soon as possible to ensure that these complying taxpayers are not penalized any further.

And thank you. Mr. Chair, I yield back.

Chairman Lewis. Thank you very much.

I would like to thank the National Taxpayer Advocate for her time and for being here today. It is our hope that this is not the last time that we will see you.

But please be advised that members will have 2 weeks to submit written questions to be answered later in writing. Those questions and your answers will be made part of a formal hearing record.

With that the Subcommittee on Oversight stands adjourned.

But before we adjourn, I would like to thank each and every member of the staff for all of your help and for all of your support. And we are now adjourned.

[Whereupon, at 11:17 a.m., the Subcommittee was adjourned.]

[Questions for the Record from Mr. Kelly and Ms. Moore [follows](#):]

Additional Materials from Ms. Olson [follows](#):

Additional Materials from Ms. Olson [follows](#):