

## COMMITTEE ON WAYS AND MEANS

U.S. HOUSE OF REPRESENTATIVES  
WASHINGTON, DC 20515

February 12, 2019

The Honorable Steven Mnuchin  
Secretary of the Treasury  
U.S. Department of the Treasury  
1500 Pennsylvania Avenue, NW  
Washington, DC 20224

The Honorable Charles P. Rettig  
Commissioner  
Internal Revenue Service  
1111 Constitution Avenue, NW  
Washington, DC 20224

Dear Secretary Mnuchin and Commissioner Rettig,

We write to express our strong concerns about recent press reports that, as a result of the Republican tax bill enacted last year, millions of taxpayers are finding the federal tax amounts withheld in 2018 are below their actual tax liabilities.<sup>1</sup> Further, for those expecting or receiving a tax refund, the amount of the refund is often less than the amount they expected and needed to receive.

Many taxpayers relied on the federal tax withholding tables prepared by the Department of Treasury (“Treasury”) and the Internal Revenue Service (“IRS”) following the enactment of the Tax Cuts and Jobs Act (“TCJA”). As you know, when Treasury and the IRS released these tax withholding tables in 2018, the tables did not fully factor in the TCJA’s reduction in itemized deductions and the TCJA’s removal of personal exemptions. As a result, taxpayers likely had less tax withheld in 2018 than in the prior year.

Responding to now-Chairman Neal’s request, the U.S. General Accounting Office (GAO) warned in a July 2018 report<sup>2</sup> that 21 percent of taxpayers (nearly 30 million Americans) will owe more taxes in 2019 due to underwithholding. In January 2018, now-Chairman Neal wrote to Treasury and the IRS expressing concern that Treasury “may unduly influence the new

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<sup>1</sup> See *Millions of Americans Could Be Stunned as Their Tax Refunds Shrink*, Washington Post (Feb. 10, 2019) [https://www.washingtonpost.com/business/2019/02/10/millions-americans-could-be-stunned-their-tax-refunds-shrink/?utm\\_term=.60b28f580a40&wpisrc=nl\\_headlines&wpm=1](https://www.washingtonpost.com/business/2019/02/10/millions-americans-could-be-stunned-their-tax-refunds-shrink/?utm_term=.60b28f580a40&wpisrc=nl_headlines&wpm=1); *Tax Refunds Are Down 8.4% so Far This Year*, CNBC (Feb. 11, 2019) <https://www.cnbc.com/2019/02/11/tax-refunds-down-8point4percent-heres-how-experts-say-to-react.html>.

<sup>2</sup> *Federal Tax Withholding*, GAO (July 2018) <https://www.gao.gov/assets/700/693582.pdf>.

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withholding tables for the 2018 tax year in a manner that will result in millions of taxpayers receiving larger after-tax paychecks this election year but ultimately owing federal income tax when they file in 2019.”<sup>3</sup> Further, the letter stated that “we oppose any attempts by the Administration to systematically underwithhold income taxes during the 2018 tax year, knowing that in 2019 taxpayers may find they owe taxes when they were expecting a refund.”

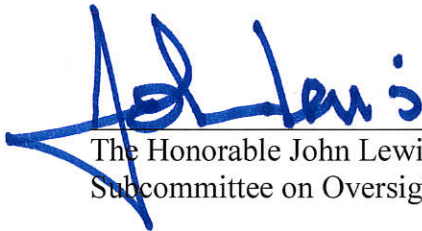
While we were pleased that relief from the underpayment penalty was provided for certain taxpayers who have withholding and payments of at least 85 percent of their 2018 tax liability, we believe more relief is needed. We believe that threshold should be lowered to at least 80 percent of a taxpayer’s 2018 tax liability and that this underpayment issue may occur again next year if the withholding tables are not revised.

Accordingly, we would like to know what adjustments Treasury and the IRS made to incorporate the TCJA into the withholding calculations for 2019 and what additional guidance Treasury and the IRS plan to issue to address underwithholding and lower-than-expected refunds.

In closing, we would like to relay our appreciation to the IRS employees, for the tremendous effort set forth to open the 2018 tax return filing season on time despite the longest government shutdown in history. We do not want taxpayers to be in the same situation again next year.

Thank you for your prompt attention to this correspondence. We look forward to receiving your response by February 26, 2019.

Sincerely,



The Honorable John Lewis, *Chairman*  
Subcommittee on Oversight



The Honorable Judy Chu, *Member*  
Subcommittee on Oversight

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<sup>3</sup> See Letter from Congressman Richard E. Neal and Senator Ron Wyden to Mr. David Kautter, Acting Secretary of the Treasury for Tax Policy and Acting Commissioner of the Internal Revenue Service (Jan. 8, 2018) <https://www.finance.senate.gov/imo/media/doc/010818%20IRS%20Withholding%20Letter.pdf>.