

COMMITTEE ON WAYS AND MEANS

U.S. HOUSE OF REPRESENTATIVES
WASHINGTON, DC 20515

February 7, 2023

The Honorable Douglas O'Donnell
Acting Commissioner
Internal Revenue Service
1111 Constitution Avenue, NW
Washington, D.C. 20224

Dear Acting Commissioner O'Donnell

In response to calls for transparency from both parties, Treasury Secretary Janet Yellen instructed the Internal Revenue Service (IRS) to complete a plan by February 17, 2023,¹ that details how the agency intends to spend the massive infusion of \$80 billion it received in the Inflation Reduction Act (IRA).² I write today to request that you provide the Committee on Ways and Means with a copy of that plan.

The Biden Administration released its original plan in May 2021 in conjunction with President Biden's first budget submission, which requested \$80 billion in mandatory funding to hire 87,000 new IRS agents and to raise audit rates on all Americans, including those making less than \$400,000.³ But as the Administration tried to convince Congress to give the IRS \$80 billion, it began to obscure the details of its own plan. Secretary Yellen repeatedly suggested that audit rates would not rise for taxpayers making less than \$400,000 relative to "historical levels" without defining what "historical levels" means.⁴ But the Congressional Budget Office, responding to an August 2022 letter from me, confirmed that audits and enforcement actions will in fact increase for hard-working Americans making less than \$400,000.⁵ This is only one of many examples. The Biden Administration and Congressional Democrats have made numerous misleading statements to try to convince Americans that what they wrote in their plan is not actually their plan.

During debate over the IRA, House Republicans told the American people what to expect if the IRA became law—a more aggressive and assertive IRS conducting more and more audits of taxpayers at all income levels. House Republicans repeatedly said that if the Administration

¹ Naomi Jagoda, *How Does the IRS Plan to Spend the \$80 Billion?*, BLOOMBERG TAX (Jan. 3, 2023), <https://news.bloombergtax.com/daily-tax-report/how-does-the-irs-plan-to-spend-the-80-billion>.

² Public Law No: 117-169.

³ U.S. Department of The Treasury, *The American Families Plan Tax Compliance Agenda* (May 2021), <https://home.treasury.gov/system/files/136/The-American-Families-Plan-Tax-Compliance-Agenda.pdf>.

⁴ The Congressional Budget Office confirmed that "historical levels" meant that the proposal "would return audit rates to the levels of about 10 years go" and that "the rate would rise for all taxpayers." Congressional Budget Office, *The Effects of Increased Funding for the IRS* (Sept. 2, 2021), <https://www.cbo.gov/publication/57444>.

⁵ H. Comm. on the Budget, *CBO Confirms Inflation Act Unleashes IRS Audits and Enforcement on Families Making Less than \$400,000* (Aug. 25, 2022), <https://budget.house.gov/press-release/cbo-confirms-inflation-act-unleashes-irs-audits-and-enforcement-on-families-making-less-than-400000/>.

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has a plan different from the May 2021 plan, they should provide it, but no plan has been shared with Congress since the IRA was signed into law. Even Democrats have asked for the Administration's plan but apparently have not received a response.⁶

I look forward to receiving the spending plan by February 17, 2023. If you have any questions or wish to discuss the request, please contact Sean Clerget of the Ways and Means Committee staff. Thank you in advance for your attention to this request.

Sincerely,



Jason Smith

Chairman

Committee on Ways and Means

⁶ Letter from The Hon. Bill Pascrell, Jr., Chair, Subcomm. on Oversight, Comm. on Ways and Means, to The Hon. Charles P. Rettig, Commissioner, Internal Revenue Service (Aug. 16, 2022), https://pascrell.house.gov/uploadedfiles/2022.08.16_bp_to_irs_re_ira_.pdf.