



U.S. House of Representatives

COMMITTEE ON WAYS AND MEANS
1139 LONGWORTH HOUSE OFFICE BUILDING
Washington, DC 20515

February 13, 2025

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

Dear Acting Commissioner O'Donnell,

I write today to express concern about the Internal Revenue Service's ("IRS") actions during the 118th Congress and your role as Acting Commissioner. President Trump campaigned explicitly on changing the way that Washington works, particularly as to the way Executive Branch departments and agencies operate. My primary message to you as you take on the role of Acting Commissioner is simple: Business as usual at the IRS is unacceptable.

Ways and Means Republicans have expressed numerous concerns over the last four years about actions taken at the IRS – but it seems the message has not gotten through to agency leadership. Those concerns include, but are not limited to, the following:

- Agency retaliation against two IRS whistleblowers who brought claims of corruption and preferential treatment for Hunter Biden, that have now been vindicated by courts and acknowledged by President Biden's decision to pardon his son and other family members for "any nonviolent offenses...which they may have committed."¹
- The enthusiastic support for \$80 billion in mandatory funding to the IRS that circumvented the congressional appropriations process and prioritized aggressive audits over customer service.²
- The failure to restore confidence in the security of taxpayer data after the theft and leak of taxpayer information by a former IRS contractor who is now serving a prison sentence, despite sitting on billions and billions of dollars.³

¹ U.S. Dep't. of Just., Pardon Media Release (Jan. 19, 2025), <https://www.justice.gov/pardon/media/1385756/dl?inline>.

² The Inflation Reduction Act of 2022, § 10301(1)(B), Pub. L. 117-168.

³ Press Release, Dep't of Just., *IRS Consultant Charged with Disclosing Tax Return Information to News Organizations* (Sept. 29, 2023), <https://www.justice.gov/opa/pr/irs-consultant-charged-disclosing-tax-return-information-news-organizations>.

- The launch and expansion of an unauthorized Direct File program that has long been a priority of Democrat politicians and activist groups.⁴
- The failure to take aggressive action against tax-exempt organizations that have caused antisemitic chaos on college campuses, in American cities, and those that may be supporting terrorism.
- The failure to modernize the IRS despite a \$80 billion slush fund.
- Playing politics with decisions around the implementation, or lack thereof, of extremely unpopular new thresholds for 1099-K reporting signed into law by Democrats.⁵
- Lawlessly imposing a \$5,000 transactional threshold for 1099-K reporting, which is the preferred negotiating position of certain congressional Democrats and former Biden Administration Treasury Department officials.⁶
- Pushing through numerous regulations in the final days of the Biden Administration.⁷

These are just some of the major concerns Ways and Means Republicans have about the IRS over the last four years.

As part of Mr. Werfel's confirmation hearing with the Senate Committee on Finance in February 2023, he committed to "productive and consistent engagement with... Ways and Means."⁸ He also told the Committee on Finance that "[p]ublic trust requires transparency, collaboration with oversight entities such as Congress, adherence to the rule of law, and responsible stewardship of taxpayer dollars."⁹ Additionally, he said that "[i]f confirmed, [he] would look forward to continued engagement with all oversight bodies."¹⁰

Based on various actions the IRS has taken over the last four years, it is clear that the Biden IRS was not serious about the commitments made during Mr. Werfel's confirmation process and much of the agency's agenda over the last four years is extremely concerning. Aggressive oversight of the IRS continues to be a top priority for the Committee, and the election results made it clear that the American people are looking for accountability.

⁴ Internal Revenue Service, IRS Free File: Do your Taxes for Free, <https://www.irs.gov/filing/free-file-do-your-federal-taxes-for-free>.

⁵ Press Release, Internal Revenue Service, *IRS announces delay for implementation of \$600 reporting threshold for third-party payment platforms' Forms 1099-K* (Dec. 23, 2022), <https://www.irs.gov/newsroom/irs-announces-delay-for-implementation-of-600-reporting-threshold-for-third-party-payment-platforms-forms-1099-k>; Press Release, Internal Revenue Service, *IRS announces delay in Form 1099-K reporting threshold for third party platform payments in 2023; plans for a threshold of \$5,000 for 2024 to phase in implementation* (Nov. 21, 2023), <https://www.irs.gov/newsroom/irs-announces-delay-in-form-1099-k-reporting-threshold-for-third-party-platform-payments-in-2023-plans-for-a-threshold-of-5000-for-2024-to-phase-in-implementation>;

⁶ Press Release, Internal Revenue Service, *IRS provides transition relief for third-party settlement organizations; Form 1099-K threshold is \$5,000 for calendar year 2024* (Nov. 26, 2024), <https://www.irs.gov/newsroom/irs-provides-transition-relief-for-third-party-settlement-organizations-form-1099-k-threshold-is-5000-for-calendar-year-2024>.

⁷ 90 Fed. Reg. 4006 (Jan. 15, 2025); 89 Fed. Reg. 10692889 (Dec. 30, 2024); Fed. Reg. 100598 (Dec. 12, 2024).

⁸ S. Comm. on Finance, *Hearing: Nomination of Daniel I. Werfel, to be Commissioner, Internal Revenue Service, Department of the Treasury* (Feb. 15, 2023), <https://www.congress.gov/118/chr/CHRG-118shrg56519/CHRG-118shrg56519.pdf>.

⁹ *Id.*

¹⁰ *Id.*

Letter to Acting Commissioner O'Donnell

February 13, 2025

Page 3

President Trump has shown in his first 3 weeks that he meant what he said during the Presidential campaign. Our government has not been working effectively for the American people, and it needs to change. We will be watching closely to make certain that the IRS timely complies with all laws, Executive Orders, direction from the Secretary of the Treasury, and requests from the House Committee on Ways and Means and the Senate Committee on Finance.

If you have any questions, please contact Ways and Means Majority staff at (202) 225-3625.

Sincerely,



Jason Smith
Chairman
Committee on Ways and Means