



IWV Raises Concerns About IRS Commissioner Nominee Daniel I. Werfel

February 14, 2023

Dear Chairman Wyden and Ranking Member Crapo,

The next Commissioner of the Internal Revenue Service will helm a troubled agency that struggles to earn the trust of the American people. The IRS has a recent history of making questionable decisions, setting concerning priorities, mishandling sensitive taxpayer data, and engaging in biased enforcement actions.

It is imperative that anyone nominated to lead this agency provide answers to ensure that hard-working Americans are not unfairly targeted or unjustly stripped of their earnings.

Independent Women's Voice is a leading women's organization that fights to enhance people's freedom, opportunities, and well-being. Women are fully engaged in the economy in ways that force them to interact with the IRS: as w-2 employees and 1099 workers; as employers and small business owners; as consumers and donors.

The Senate confirmation hearing of Daniel I. Werfel to serve as the next Commissioner of the IRS presents taxpayers with an opportunity to learn how he would change the direction of the agency.

IWV has several concerns that we hope the committee will address with Mr. Werfel:

- **Unilateral delay of 1099-K reporting requirement.** The 2021 American Rescue Plan (ARP) lowered the threshold that triggered IRS reporting of third-party transactions from \$20,000 in total and more than 200 transactions to just \$600 with no transaction minimum. This could have affected millions of Americans who are casual sellers of goods online, with a disproportionate effect on women with children. These people sell pre-owned items such as furniture and clothing to earn extra income. Often, proceeds are used to help pay for necessary personal expenses such as food, shelter, and medicine. Most are not businesses making many large transactions. However, the increased reporting would push many not to sell online anymore, regardless of whether they even owe taxes on the sale of goods.

Both parties in Congress were working to negotiate a bipartisan legislative correction at the end of 2022 before the rule would have affected the current tax filing season. On December 24, 2022, the IRS **announced** that it was delaying the implementation of this new reporting requirement.

- Can Mr. Werfel explain under what authority the IRS acted to delay the implementation of this rule?
 - How often in recent history has the IRS exercised this authority to override Congress?
 - How would Werfel ensure that such action does not become standard practice?
 - Has the IRS considered that delaying this rule reduces the urgency for Congress to implement a permanent legislative correction?
 - Has the IRS communicated to Congress the impact this reporting change could have on its ability to process current and backlogged returns?
- **Destruction of IRS taxpayer files** - A Treasury Inspector General for Tax Administration report in 2022 revealed that the IRS purposefully destroyed 30 million taxpayer documents including W-2 and 1099 forms due to a backlog of unprocessed returns. Tax professionals have been **horrified** by the issues that destroying records could pose to unwitting taxpayers. Missing information for taxpayers could lead to a “mismatch” in information about a tax filer that cannot be verified.

Furthermore, the agency reportedly stonewalled oversight efforts by a congressional committee to access the agency’s decision-making process behind destroying the documents.

- Is it acceptable under any circumstances for the agency to destroy taxpayer records beyond any statutory requirements?
 - Can Mr. Werfel shed light on the decision-making process behind the destruction of the records?
 - How would he alter the decision-making process under his leadership and hold accountable those who are responsible if they have not been?
 - How should the agency respond to congressional oversight?
 - How should the agency respond to inspector general recommendations?
- **Increased taxes and audits** - The Inflation Reduction Act (IRA) passed in 2022 funds the hiring of at least 87,000 new IRS agents. The Congressional Budget Office (CBO) **confirmed** this law will lead to more audits and enforcement measures, and higher taxes for families making less than \$400,000—breaking a promise of President Biden. It is not surprising that nearly half (**45%**) of Americans said they are very concerned about the IRS increasing its number of audits after the IRA’s passage.

- Can Mr. Werfel assure Americans that the addition of new IRS agents will not lead to more audits and enforcement measures against households earning below \$400,000 a year?
- What is the trend over the past few years of the number of audits at different household or taxpayer income levels?
- How would you prevent the number of audits on lower and middle-class households from rising to historic levels? Is it your philosophy that tax cheating is widespread and common among low-income and middle-class taxpayers?

Also, we hope the committee will probe Mr. Werfel's handling of agents involved in targeting conservative organizations and donors to conservative groups for added scrutiny during his tenure as Acting IRS Commissioner in 2013. They should also consider what protocols he would enact to prevent data breaches from reoccurring.

The IRS needs fresh leadership that will not continue the failed policies and decisions. We look forward to the committee representing the concerns of the American people.

Respectfully,

A handwritten signature in black ink, appearing to read 'Patrice Onwuka', with a long horizontal flourish extending to the right.

Patrice Onwuka
Director
Center for Economic Opportunity