April 7, 2022

Dear Senator/Representative:

**The undersigned organizations write in support of the "Simplify, Don't Amplify the IRS Act," legislation introduced by Senator Mike Braun (R-Ind.) and Representative Tom Rice (R-S.C.).** This legislation implements important, common-sense reforms that holds the IRS accountable and protect taxpayers.

President Biden and Congressional Democrats want to give the IRS $80 billion in mandatory funding over the next 10 years to hire 87,000 new agents. The majority of this new funding will be used to audit, harass, and target taxpayers – the proposal includes 23 times more funding for enforcement than for taxpayer services.

Senator Braun and Congressman Rice's legislation draws an important contrast with this new spending and contains the following provisions:

**Prohibits the creation of an IRS bank reporting regime.** In addition to new funding and agents, the Biden administration wants to give the IRS new power to automatically access bank accounts, credit union accounts, and Venmo, PayPal, and CashApp account inflows and outflows for all business and personal accounts.

President Biden's budget, which described the proposal as a "comprehensive financial account reporting regime," set the threshold at account exceeding gross inflows and outflows of $600. More recently, Senate Democrats have suggested a threshold of $10,000.

Either way, this reporting requirement would be a radical violation of privacy and is not tailored toward higher-income taxpayers or "suspicious" behavior. The IRS will instead use this new power as a tool against the middle class and small businesses to squeeze more money out of taxpayers.

The IRS already abuses current reporting laws. The IRS Criminal Investigation Division (IRS-CI) regularly violated taxpayers' rights and skirted or ignored due process requirements when investigating taxpayers for allegedly violating the existing $10,000 currency transaction reporting requirements, according to a 2017 report by the Treasury Inspector General for Tax Administration (TIGTA).

**Repeals the Democrat ban on cutting state taxes.** In a last-minute addition to the partisan $1.9 trillion Biden spending plan in March, Democrats snuck a provision into the bill prohibiting states from cutting taxes.

The Democrat state tax cut ban is an attempt to prevent tax competition as Democrat-run states are failing to compete well with low-tax states. Competition between low-tax states and high-states tax allows voters to see a clear contrast between success and failure. Democrats know that taxpayers have already been voting with their feet. Over the last decade, millions of people and jobs have moved from high-tax states into states with low- or no-income taxes, and the ability to work remotely will only amplify this trend.

**Holds IRS employees accountable when they release private taxpayer information.** This bill would ensure that IRS employees are held accountable when there is substantial evidence that they engaged in illegal activity. Currently, there is an exceedingly high standard of proof required to discipline employees which ensures bad actors can keep their jobs or escape punishment.

This bill increases the penalty for leaking private information from $5,000 to $250,000. It also reduces the burden of proof necessary to fire an employee accused of releasing this information. The new requirement to prove wrongdoing would be having "substantial evidence," rather than a "preponderance of evidence."

**Codifies rule encouraging agencies to reduce wasteful refundable tax credit payments.** The bill codifies a 2009 rule to increase federal agencies' accountability for reducing improper payments.

A recent report by the TIGTA, found high improper payment rates for three refundable tax credits – the Earned Income Tax Credit (EITC), Additional Child Tax Credit (ACTC), and the American Opportunity Tax Credit (AOTC). Improper payments are defined as "any payment that should not have been made, was made in an incorrect amount, or was made to an ineligible recipient."

The report estimated that improper EITC payment rates were 24 percent or $16 billion, ACTC improper payment rates were 12 percent or $4.5 billion, while ACTC improper payment rates were 26 percent, or $2.3 billion.

Reducing wasteful refundable tax credits is especially important now as Democrats want to drastically expand several refundable tax credits in their socialist spending bill including the EITC and CTC.

**Codifies the Trump administration rule protecting non-profit organizations from political targeting.** This bill would codify the final Rule issued by the Trump administration protecting tax-exempt organizations from unnecessary filing requirements. The Trump Rule ensured that many tax-exempt entities including 501(c)(4)s and 501(c)(6)s do not have to provide the IRS with a list of donors.

This list is not used by the IRS for any official purpose. Instead, it creates needless compliance costs on both non-profits and the IRS. Last year, when the Rule was finalized, the Institute for Free Speech estimated that nonprofits would save about $63 million per year compliance costs if Schedule B were fully repealed.

If Democrats repeal this protection, it will create a new way for the IRS to harass organizations based on their political beliefs.

**Ensures the IRS spends its time helping taxpayers, rather than spending it on partisan union activity**. Specifically, this bill would prohibit agency employees from engaging in taxpayer-funded union time during tax filing season, ensuring that agency employees are doing what they are paid to do.

Currently, IRS employees are given an immense amount of Taxpayer-Funded Union Time (TFUT). In fiscal year 2019, 1,421 Treasury employees consumed 353,820 hours of TFUT. The compensation costs for this time were $17.27 million. Further, individuals on TFUT may freely use government property, a cost amounting to $2.5 million.

**We urge every Senator to support Senator Braun and Representative Rice's Simplify, Don't Amplify the IRS Act.** These reforms will ensure taxpayers are protected from IRS overreach and abuse at a time that the administration is pushing to give the agency $80 billion in new funding, hire 87,000 new agents, and give bureaucrats intrusive new power like the ability to snoop on virtually every bank account of American families and small businesses.

Sincerely,

Grover Norquist
President, Americans for Tax Reform

Lisa B. Nelson
CEO, ALEC Action

Bob Carlstrom
President, AMAC Action

Brooke L. Rollins
President and CEO, America First Policy Institute

Dick Patten
President, American Business Defense Council

Ryan Ellis
President, Center for a Free Economy

Andrew F. Quinlan
President, Center for Freedom and Prosperity

Matthew Kandrach
President, Consumer Action for a Strong Economy

Tom Schatz
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Katie McAuliffe
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Carrie Lukas
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Saulius “Saul” Anuzis
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