

AMERICAN PAYROLL ASSOCIATION

April 25, 2022

The Honorable Senator Chuck Schumer
United States Senate
322 Hart Senate Office Building
Washington, DC 20510

The Honorable Senator Ron Wyden
United States Senate
221 Dirksen Senate Office Building
Washington, DC 20510

The Honorable Senator Benjamin L. Cardin
United States Senate
509 Hart Senate Office Building
Washington, DC 20510

The Honorable Michael D. Crapo
United States Senate
239 Dirksen Senate Office Building
Washington, DC 20510

The Honorable Senator Rob Portman
United States Senate
448 Russell Senate Office Building
Washington, DC 20510

The Honorable Senator Chris Van Hollen
United States Senate
110 Hart Senate Office Building
Washington, DC 20510

Re: In Support of Funding for the Internal Revenue Service

Dear Senators:

As a result of decades of insufficient resources and the monumental backlog of work caused by the COVID-19 pandemic and relief measures, the American Payroll Association (APA) urges you to move quickly on a funding measure for the Internal Revenue Service (IRS). Providing the IRS with “more predictable support” to modernize, hire, and train new staff, as well as work with stakeholders to improve processes and procedures, is vitally important to payroll professionals directly responsible for withholding approximately 70% of the annual revenue collected by the IRS.

About the APA

The APA is a nonprofit professional association representing more than 20,000 payroll professionals in the United States. APA’s primary mission is to educate its members and the payroll industry about the best practices associated with paying America’s workers while complying with applicable federal, state, and local laws. In addition, APA’s Government Relations Task Force (GRTF) works with the legislative and executive branches of government to find ways to help employers satisfy their legal obligations, while minimizing the administrative burden on government, employers, and individual workers.

Funding to Match Taxpayer First Act Plan

The IRS submitted a report to Congress with its Taxpayer First Act plan to improve taxpayer services and restructure accordingly. The plan was requested by Congress and developed following

extensive stakeholder engagement. Congress should provide the IRS with sufficient funding to bring the plan to full implementation.

Despite significant difficulties caused by the response to COVID-19, the IRS has attempted to move forward with its plans, appointing a chief taxpayer experience officer and improving its electronic communication capabilities. Many of the plans provisions will greatly assist payroll professionals and their employers to pay fair and full taxes accurately, as well as make corrections in a timely manner.

Modernization and New Hiring

Without a sustainable, reliable budget, the inefficiencies and need to modernize cannot come to fruition. In his statement of April 7, Commissioner Charles Rettig said,

Absent consistent, timely, multi-year funding we have largely been a paper-based organization operating in a digital world environment... Over the course of the last decade, the IRS's budget has decreased by more than 15 percent in real terms. Because of this decrease, in FY 2021 we realized less than 79,000 full-time equivalents (FTEs), which is close to 1974 levels.... Over the next six years, we estimate we will need to hire 52,000 employees just to maintain our current levels.¹

Commissioner Rettig is not the first IRS commissioner to identify the funding shortfalls and inability to hire new employees. IRS commissioners appointed by both Democratic and Republican presidents over the past several decades have outlined the problems. IRS employees who have held off retiring to help the IRS are now retiring in substantial numbers. In addition, federal wages are often below private sector markets, and in this current labor market, the IRS is not competitive enough to hire in the numbers needed to properly function.

Protecting Taxpayer Information and Preventing Identity Theft

For the business community, improved electronic communication systems with the IRS provides a clear advantage over manual intervention for filing tax and information returns, as well as responding to taxpayers. A well-designed infrastructure that prevents cyber-attacks requires resources both in technology and human capital. Unfortunately, identity thieves and tax fraudsters are continuously altering their methods. Business stakeholders, like APA and its members, are working closely with the IRS on measures to prevent these attacks, but we see that the IRS lacks the necessary resources to be successful.

APA appreciates the role that U.S. Senators play regarding the federal budget and the challenges of ensuring adequate agency funding while properly managing Americans' tax dollars. For this reason,

¹ Written Testimony of Charles P. Rettig, Commissioner, Internal Revenue Service, before the Senate Finance Committee on the Filing Season and the IRS Budget (Apr. 7, 2022); <https://www.irs.gov/newsroom/written-testimony-of-charles-p-rettig-commissioner-internal-revenue-service-before-the-senate-finance-committee-on-the-filing-season-and-the-irs-budget>.

we urge you to consider increasing vital funding for the IRS. The IRS plays a critical role in enforcing federal tax law to secure financing for a myriad of federal programs, including national defense, highway building and maintenance, veterans' benefits, medical research, and disaster relief. Collected revenue also reduces the national deficit.

Sincerely,

A handwritten signature in cursive script that reads "Alice P. Jacobsohn".

Alice P. Jacobsohn, Esq.
Director, Government Relations

For APA Government Relations Task Force Subcommittee on Federal Issues
 Chairs Rebecca Harshberger, CPP, and Jon Schausten, CPP