IRS
OVERSIGHT
BOARD

November 5, 2009

The Honorable Charles Grassley
The Honorable John Cornyn
United States Senate
Washington, DC 20510

Dear Senators Grassley and Cornyn:

Thank you for your letter highlighting the potential roles for the Internal Revenue Service (IRS) contemplated in S. 1796, America's Healthy Future Act of 2009. In your letter you identified a number of significant new responsibilities the IRS would be asked to administer should S. 1796 be enacted into law, and you questioned whether the cost of administering and enforcing these provisions have been properly identified.

The Board stands ready to work with the IRS, Treasury leadership, Congress, and other stakeholders should health care reform be enacted with provisions involving the IRS. By statute the majority of the Board is comprised of private citizens with experience in areas such as management of large service organizations, customer service, federal tax laws, and information technology. Therefore, we will look forward to working with the IRS to ensure that it can implement any role given to it in health care legislation.

You asked that the IRS Oversight Board review S. 1796, and comment on how it would impact the IRS' ability to effectively pursue its strategic plans.

Considering the Board's statutory responsibility under IRC §7802 to oversee the IRS in its administration and management of the internal revenue laws, one of the Oversight Board's most important functions is to ensure there is a proper alignment of IRS responsibilities and resources. However, the same statute dictates that the Board shall have no responsibilities or authority with respect to the development and formulation of federal tax policy. The proscription includes an evaluation of the impact of the tax law on the IRS. Thus, I believe the Board has no statutory role in, or basis for, evaluating the potential impact of potential health care reform and associated tax policy options on the IRS. I note that §4022 of P.L. 105-206 indicates that the Joint Committee on Taxation, in consultation with the IRS and the Department of Treasury, has the responsibility to develop the types of estimates and analyses you request.

Nevertheless, the Board strongly believes that the IRS must be given sufficient resources to implement any responsibilities resulting from health care reform. Moreover, many of the new responsibilities contained in S. 1796 give the IRS expanded responsibilities to receive and process information that it currently does not receive. Such an expansion of responsibilities would put more importance on the need for the information technology modernization program at the IRS. The Oversight Board has been pointing out the need for information technology modernization for many years and recommends that Congress fund the IRS Business Systems Modernization program at levels it has previously recommended.

Thank you again for raising this important issue. The Oversight Board strongly supports effective tax administration that ensures all taxpayers meet their tax obligations under the law, and believes that an appropriately funded IRS is essential to the nation's economic vitality.

Sincerely,

Paul Cherecwich, Jr.
Chairman, IRS Oversight Board

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