

May 5, 2014

The Honorable John A. Koskinen
Commissioner
Internal Revenue Service
1111 Constitution Avenue, NW
Washington, DC 20230

Dear Commissioner Koskinen:

We write regarding the Treasury Inspector General for Tax Administration's (TIGTA) report to the public on April 22, 2014, citing the several thousand IRS employees with either substantial conduct or tax compliance problems who received monetary or time-off awards. In several cases, personnel were given awards even though they had willfully understated tax liabilities, made late payments of tax liabilities or had under-reported income. Any of these violations would have placed average taxpayers under IRS scrutiny and certainly not have ended with them receiving an award.

The public disclosure of these awards at a time when the IRS is under scrutiny for its actions concerning the political activity of conservative social welfare organizations and when its performance of basic taxpayer service functions have materially worsened calls into question the agency's commitment to the fair enforcement of our tax laws.

In recent testimony to the House Appropriations Committee, you testified that "the IRS is committed to carrying out its core responsibilities and working to preserve the public's faith in the essential fairness and integrity of our tax system." The distribution of monetary and time off rewards to personnel who have substantively violated the federal tax laws is entirely inconsistent with this statement and particularly galling given other recent actions by your agency. In the same testimony, you noted

"...we recognize that there has been a loss of confidence among taxpayers and particularly within Congress in regard to the way we manage operations, particularly the management problems that came to light last year in the section 501(c)(4) area. One of my responsibilities is to ensure that we are minimizing risks and quickly solving management and operational problems that may arise, so that Congress can be confident that when we request additional funding the money will be used wisely."¹

The revelations in TIGTA's report contradict these statements and further erode public confidence in the nation's tax enforcement agency when it already has been plagued by questions about its ability to apply the tax laws in an

¹ Written Testimony of John A. Koskinen, Commissioner, Internal Revenue Service, Before the House Appropriations Committee, Subcommittee on Financial Service and General Government on the FY 2015 IRS Budget, April 7, 2014.

equitable and unbiased manner. These bonuses further denigrate the IRS' relationship with taxpayers, who are already experiencing "a deterioration in [agency] performance."

In your April 7, 2014, testimony, you also estimated that every dollar "invested" in the IRS budget produces \$4 in enforcement revenue. Given this calculus, the money spent on the bonuses identified in the TIGTA report would fully fund a number of the enforcement programs requested for FY 2015. The payment of awards to IRS employees who disregard the law creates an obvious conflict of interest with the agency's mandate to ensure integrity of the tax system and is very troubling at a time when the agency asks for additional appropriations for enforcement activities. The IRS's decision to issue bonuses to personnel who have violated the tax laws is foolhardy and wasteful in such a challenging fiscal climate.

We would appreciate an explanation of how the agency's award system accounts for improper conduct by IRS employees. Further, we believe bonus payments to employees who have violated federal tax laws are improper and should, to the extent consistent with the law, be immediately rescinded.

We would also like an explanation of how you plan to expeditiously adopt measures and standards to prevent future awards from being given to employees with conduct and performance issues. Specifically, we respectfully request that you provide information (including a time frame) on the following:

1. Why the IRS has elected not to consider recent disciplinary actions resulting from employee misconduct when determining award eligibility;
2. Changes in personnel policy, performance standards, and initiatives that would strengthen IRS employee compliance with work-place and tax laws in a way consistent with expectations and general practices of successful businesses;
3. The feasibility of changes to NTEU National Agreement II ("...will not preclude a performance award that otherwise would be granted *unless* such preclusion is necessary to protect the integrity of the Service.") to prohibit the provision of an award when there have been substantiated violations of the federal tax laws;
4. Whether not giving performance awards to IRS employees that violated the federal tax laws is necessary to protect the integrity of the Internal Revenue Service; and
5. The number of IRS employees who violated the federal tax laws, as identified in the TIGTA report, disciplined for these violations.

We ask that you provide the requested information as soon as possible, but no later than June 1, 2014. If you have any questions regarding this letter, please contact Chris Allen of Senator Roberts' staff at (202) 224-4774, Bart Massey of Senator Enzi's staff at (202) 224-3424, and Jim Lyons of Ranking Member Hatch's staff at (202) 224-4515.

The American public expects and deserves something better from our highest tax administration agency; namely actions displaying a commitment to a higher standard that provides an example to the citizens the agency serves.

Thank you for your attention to this request.

Sincerely,


Pat Roberts


Michael Enzi

W.S.

Jimmy John

Pat Rooney

John Thune

John Cornyn

Mike Crapo

Chuck Grassley

Tim Hatch

Rob Portman
