

Opening Statement of Chairman Ron Johnson

“IRS Challenges in Implementing the Affordable Care Act”

April 15, 2015

As prepared for delivery:

Good morning and welcome.

I would like to welcome our witness, IRS Commissioner John Koskinen. I look forward to your testimony, and thank you for being here to discuss the challenges the IRS is experiencing in implementing the Patient Protection and Affordable Care Act.

The 2015 tax filing season marks the first time that the IRS is responsible for implementing two major components of Obamacare: (1) enforcing the individual mandate by imposing a tax penalty on uninsured individuals and (2) reconciling advanced premium tax credits awarded to enrollees. Preparing and filing a tax return was already onerous. Now Obamacare has made it worse. The IRS has been tasked with implementing two of Obamacare’s most complicated provisions.

The IRS is probably the most feared civilian agency of the federal government, and its track record over the last few years has not been good. We have strong evidence the IRS systemically targeted Americans for their political beliefs. During the congressional investigation of that targeting, the IRS claimed to have lost two years of emails from a key figure at the center of that scandal — only to have its inspector general’s office recover some of those emails once it gained custody of the backup drives. The IRS is an agency that gave bonuses to employees who did not pay their own taxes and has re-hired hundreds of employees who had substantiated records of misconduct.

It is important that Congress exercise oversight to make sure that the IRS is spending taxpayer dollars responsibly. From reports in the news media and stories from my constituents back home, I am concerned that the IRS may be dropping the ball. Although Obamacare implementation comes with its challenges, the IRS has had five years since the law’s passage to make sure it goes smoothly.

Tax season is a burdensome, challenging and expensive time for many Americans. According to the National Taxpayer Advocate, the total time burden of tax compliance is an incredible **6.1 billion hours**. That is equal to about 3 million employees working 40-hour work weeks year-round with just two weeks off. And individual filers spend an estimated **\$31.72 billion** on tax software and other out-of-pocket costs.

Because of Obamacare, filing season has become even more complex. The IRS Inspector General wrote that Obamacare “represents the largest set of tax law changes in more than 20 years.” However, the IRS Commissioner stated last week that “the system has worked flawlessly,” and “everyone seems to be comfortable, preparers and taxpayers, in preparing

their returns.” That statement contradicts news media reports, but is also at odds with the experience of hundreds of my constituents who have contacted my office asking for help with the IRS this tax season, mostly because of Obamacare.

Reports over the last few months suggest that ObamaCare implementation has not gone smoothly at the IRS. One report found that the IRS delayed refunds for “tens of thousands” of Obamacare enrollees because of missing subsidy data from state-run health insurance exchanges. According to National Taxpayer Advocate, Nina Olson, the tax refunds have been “held for quite a long time, since the beginning of the filing season.” For concerned taxpayers calling the IRS with questions, Olson said that IRS employees were instructed not to divulge information as to why their refunds are suspended.

When refunds do come in, they are smaller for many, especially for middle class Americans. Half of the Obamacare enrollees who received advanced premium tax credits are paying back a portion of their credit, and the average amount paid back is \$794. According to the Kaiser Family Foundation, middle-income households — with income between 300 and 400 percent of the national poverty level — will repay about 65 percent of their tax credits.

Despite the influx of questions from taxpayers about the new complexities associated with Obamacare, in January 2014, the IRS ended a free tax preparation program designed to help low-income and disadvantaged citizens, including citizens not proficient in English. Although Congress has specifically provided funding for taxpayer assistance services, the IRS has spent this money on other priorities. The National Taxpayer Advocate condemned the elimination of the tax assistance program and stated that “the government is largely turning its back on a significant number of taxpayers who require face-to-face assistance to comply with their tax obligations.”

Some taxpayers have faced an additional Obamacare complication when a glitch in HealthCare.gov used the wrong year’s data and sent about 800,000 erroneous 1095-A forms to taxpayers for their Obamacare subsidies. By the time the Centers for Medicare and Medicaid Services revealed its mistake, 50,000 individuals had already reportedly filed their taxes using the incorrect forms. Covered California, California’s state exchange, made a similar mistake by sending out incorrect forms to 100,000 individuals. While the IRS is not responsible for sending out the incorrect forms, the administration’s mistake increases the burden on taxpayers.

These mistakes affect real people. Earlier this month, I heard from Kelly, a nurse from North Fond du Lac, Wisconsin, who enrolled in Obamacare through HealthCare.gov last year. When Kelly started working more hours, she informed HealthCare.gov that her income had increased and she started paying an extra \$45 per month in premiums. Over the last three months, Kelly received **three** separate 1095-A forms from the Centers for Medicare and Medicaid Services, and all of them were incorrect. Kelly was unable to file her tax return in time because she did not have the correct information about her health insurance plan.

With reports of incorrect forms and unnecessary delays and real concerns from my constituents, I hope that today's hearing will help to give this committee and the taxpayers a better understanding of the current state of Obamacare implementation at the IRS.

Commissioner Koskinen has said many times that the solution to all these problems is more money. The truth is that the U.S. government has limited resources. Every agency must do more with less. There must be a renewed focus on responsible spending and budget allocation, and this requires taking an in-depth look at how money at the IRS is currently spent. Both the IRS Inspector General and the Taxpayer Advocate Service have encouraged the IRS to do so.

I appreciate the IRS commissioner's appearance here today and look forward to his testimony.

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