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Congress Moves To Reform The IRS

Does the IRS need reforming? Many people think so, and not just people focused on the Tea Party targeting scandal, Lois Lerner and the missing emails. Anyone who has had a seriously bad tax audit or a run-in with an overly aggressive IRS Revenue Agent who many seem to take no for an answer may have a bone to pick.

It still isn't a happy time for the IRS, and it seemed somehow lackluster when the IRS [announced a Taxpayer Bill Of Rights](#). Many observers yawned. Even so, there is no question but that the IRS has a tough job to do. On the whole, the IRS does an amazingly even-handed job at it too. Yet if you are in the crosshairs, that may not be comforting. And seeing the poor and sometimes evasive testimony for top IRS officials over the last year or so hasn't been inspiring.

So perhaps it's not surprising that bills are getting introduced in Congress and some are passing. Well, sort of. The House has passed several recently. All were intended to highlight complaints that the IRS mistreated conservative political groups when they applied for tax-exempt status.

We The People

For example, one bill would make it illegal for IRS workers to use personal email accounts to conduct official business. Republican investigators released a report accusing Ms. Lerner of using her personal email account to conduct official business, violating IRS policy. Ms. Lerner is now retired.

Another bill would guarantee that groups who are denied tax-exempt status have the right to appeal the decision to a separate IRS office. I'm guessing no one wants to appeal to the Cincinnati IRS office where those rogue IRS agents were working. Oh wait, they weren't rogue after all.

The third bill might be a good idea given the seriousness of any [data breach](#). In what is arguably one of the most disturbing parts of the story over the last year, there have been improper disclosures of taxpayer information by IRS employees. This new bill would allow the IRS to tell victims about the status of investigations into the disclosures. Current law forbids the IRS from releasing that information, even to the victims.

The House passed all three bills and did so quickly. But my guess is that the bills are already a dead letter. The Senate is viewed as unlikely to take any action on them anytime soon, and it will be campaign season any minute.

Taxpayer rights can sound like an oxymoron, a bit like living death. You do have rights, of course, and periodically, Congress addresses this troublesome question. In a previous pendulum swing away from an IRS bent on toughness, Congress enacted [sweeping reforms in 1998](#) to make the IRS kinder and gentler.

The [IRS Restructuring and Reform Act of 1998](#) added extra hoops for the IRS to jump through before it could collect. Due process hearings, and for a time, the IRS even called taxpayers “customers.” Most of those procedural safeguards are still in place, although the pendulum has again swung the other way. In fact, these days the IRS might benefit from a bit of reshaping. We can’t abolish the IRS, but a serious reform effort is arguably long overdue.

You can reach me at Wood@WoodLLP.com. This discussion is not intended as legal advice, and cannot be relied upon for any purpose without the services of a qualified professional.