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Should IRS Pay Employee Bonuses? Recall Lois Lerner's \$129,300 On Top Of Salary

Should IRS employees receive bonuses, and based on what? The topic is controversial—again—although perhaps not as vitriolic as it was during the Lois Lerner targeting episode. Recall that the face of IRS targeting, Lois Lerner—who took the Fifth and refused to testify about it—received big cash bonuses. So did the fired Acting IRS Commissioner Miller who was also caught up in the targeting scandal. (Yes, it is tempting to ask, ‘bonuses for what?’)

These bonuses were not small pats on the back. In fact, Lois Lerner [received \\$129,300 in bonuses](#) between 2010 and 2013. As head of the IRS tax-exempt division at the heart of the targeting scandal, she received a 25% bonus each year—averaging \$43,000 a year—on top of her regular salary. As you read about bonuses, you might recall other reports saying that [61% of IRS employees caught willfully violating the tax law aren't fired, but may get promoted](#). Many of the bonuses can be traced to IRS Commissioner Koskinen, who took the helm of the IRS in December 2013.



His tenure hasn't been smooth. Most of the IRS bonuses were paid in February and March 2014, with 238 awards totaling \$976,387. No further awards were recorded until November and January 2015, with 218 awards totaling \$1,000,108. In all, the IRS paid 1,269 bonuses, totaling \$5.97 million from January 1, 2010 to February 2, 2015. The average was \$4,483, but totals ranged from \$250 to \$285,688. There is considerable detail on the bonuses [here](#).

And with this kind of track record in the face of scandal, perhaps it is no wonder that there is a House Bill, [H.R. 4890](#), called the IRS Bonuses Tied to Measurable Metrics Act. Sponsored by Rep. Pat Meehan, R-Pa., it would prohibit the IRS from paying bonuses to employees until the Treasury Secretary develops and implements a comprehensive customer service strategy that puts taxpayers first. The House Ways and Means Committee passed four IRS bills recently, and the House voted to approve several. Yet Rep. Sander Levin, D-Mich., the ranking Democrat on the House Ways and Means Committee, objected to tying IRS employee bonuses to the development of a customer service strategy.

Rep. Levin said that, "The House Republicans are trying to pass the buck because they are not providing the bucks necessary for adequate taxpayer services. To say no bonuses for any of the 80,000 IRS employees because the House Republicans are not doing their job is wrong." On the other side, [Mark Meckler](#) claims that [President Obama isn't interested in improving the IRS](#). He says the President is opposed to the IRS curbing executive bonuses, to banning the IRS from hiring persons with tax debts, to stopping the IRS from rehiring employees fired for misconduct, etc.

The White House has been clear that it does not appreciate Republicans saying that the IRS isn't doing its job. The White House [statement](#) suggests that it is really the Republicans that are not doing theirs. Yet despite the mud-slinging, many Americans probably think that the IRS shouldn't be handing out bonuses. At least not big ones, and not to Lois Lerner or a fired IRS Commissioner anyhow. But they did, and it is worth noting that a lawsuit by Tax Analysts tried to get to the bottom of these and other IRS bonuses.

Why a lawsuit? Because the IRS stonewalled, as it not infrequently does. Tax Analysts asked nicely first and made a Freedom of Information Act request. But the IRS has high walls. Eventually, Tax Analysts brought [a suit against the IRS](#) to compel the agency to release records of bonuses to high-level executives since 2010. Remember too that over the course of several years, it was awfully hard to get a straight answer. The hard drives were gone. It also

turned out that the [IRS used instant messaging to hide internal communications](#). Later, the IRS [“discovered” that Lois Lerner’s dog had an email account](#) too.

There are plenty of hard-working and honest employees at the IRS. They do a terribly important job under tough circumstances, and it is usually a thankless job. Maybe they do deserve bonuses. Perhaps there might be agreement on this, especially if they could hang up a big 'Under New Management' sign.

For alerts to future tax articles, email me at Wood@WoodLLP.com. This discussion is not legal advice.