



April 13, 2016

The Honorable Orrin Hatch  
Chairman  
Committee on Finance  
United States Senate  
Washington, D.C. 20510

The Honorable Ron Wyden  
Ranking Member  
Committee on Finance  
United States Senate  
Washington, D.C. 20510

**Re: Mark-Up of Legislation Affecting IRS Administration**

Dear Chairman Hatch and Ranking Member Wyden:

The Coalition for Effective & Efficient Tax Administration (CEETA) asks that you include in any mark-up of legislation affecting IRS operations a “Taxpayer Bill of Rights” title addressing certain IRS examination practices discussed below. CEETA’s mission is to promote constructive administrative changes and legislative solutions to inefficiencies in the IRS audit process. CEETA comprises 14 trade associations and taxpayer groups, representing a broad cross section of industries and publicly and privately owned companies. A detailed description of CEETA’s membership and policy positions can be found at <http://eetax.org>.

CEETA is concerned about the IRS’s increasing use of confrontational litigation tactics during an audit. CEETA has identified several key IRS examination practices that are viewed as inappropriate by the taxpayer community and that would benefit from Congressional intervention and oversight:

1. Denying taxpayers access to an impartial review of their case by the IRS Appeals Office. The IRS Restructuring and Reform Act of 1998 requires that the Commissioner of Internal Revenue ensure the availability of an impartial Appeals Office function. However, the IRS has afforded to itself the sole discretion to permit or deny taxpayers access to the Appeals Office by “designating a case for litigation,” preventing a review by the Appeals Office prior to litigation. We request that a “Taxpayer Bill of Rights” title include a provision affording taxpayers the right to an independent review of the examination division’s proposed adjustments by the IRS Appeals Office in most cases.
2. The IRS’s use of a designated summons against a fully cooperative taxpayer to unilaterally extend the statute of limitations. By issuing or threatening to issue a designated summons, the IRS sidesteps the time allowed by law for completing an audit or coerces a taxpayer into agreeing to a statute extension. We ask that a “Taxpayer Bill of Rights” title include a provision limiting the use of designated summonses to cases where a taxpayer has been uncooperative.

3. The IRS's retention of private sector lawyers to conduct IRS examinations. Retaining outside lawyers to conduct audits of private taxpayers is unprecedented in the history of the IRS. At least one court has stated that it is "troubled" by the practice, noting, "The idea that the IRS can 'farm out' legal assistance to a private law firm is by no means established by prior practice, and this case may lead to further scrutiny by Congress." We ask that a "Taxpayer Bill of Rights" title include a provision limiting the use by the IRS of outside lawyers in the conduct of taxpayer audits.

CEETA urges that the Finance Committee address these IRS examination practices in a fair and bipartisan manner via a "Taxpayer Bill of Rights" title in any future legislation affecting IRS operations, balancing the IRS's need to conduct thorough examinations with a taxpayer's right to have examinations completed on a timely basis and impartially reviewed by the IRS Appeals Office prior to incurring the damaging economic and reputational costs of litigation.

Sincerely,

ACT | The App Association  
Council for Citizens Against Government Waste  
Entertainment Software Association  
Financial Executives International  
Information Technology Industry Council  
National Association of Manufacturers  
National Foreign Trade Council  
National Taxpayers Union  
Retail Industry Leaders Association  
Small Business & Entrepreneurship Council  
Software Finance and Tax Executives Council  
TechNet  
U.S. Chamber of Commerce