Arnold Ventures Statement for the Record
Ways and Means Oversight Subcommittee Hearing:
"IRS Return on Investment and the Need for Modernization"
February 11, 2025

The Honorable David Schweikert
Chairman, Oversight Subcommittee
Committee on Ways and Means
United States House of Representatives
Washington, DC 20515

The Honorable Terri Sewell
Ranking Member, Oversight Subcommittee
Committee on Ways and Means
United States House of Representatives
Washington, DC 20515

Dear Chairman Schweikert, Ranking Member Sewell, and Members of the Subcommittee:

Arnold Ventures appreciates the opportunity to submit this statement for the record in relation to the Subcommittee's February 11, 2025 hearing, "IRS Return on Investment and the Need for Modernization."

Arnold Ventures is a philanthropy dedicated to investing in evidence-based policy solutions that maximize opportunity and minimize injustice. Our work within the public finance sector aims to advance tax and budget policies that promote both fiscal sustainability for governments—especially at the federal level—and economic opportunity, mobility, and security for Americans.

We support research and policy development to help understand and address dysfunctional tax administration. One symptom of this dysfunction is the nation's persistently large tax gap, which is as high as $428 billion annually according to the Internal Revenue Service's estimation.[i]

To help the IRS address this longstanding issue and ensure that individuals and businesses receive the support they need from the agency to determine their legal tax obligations, Congress initiated tens of billions in new funding for the agency in the 2022 Inflation Reduction Act. These funds were intended to kickstart a once-in-a-generation modernization effort. Progress in deploying those resources, however, has been disappointingly slow. A September 30, 2024 report from the Treasury Inspector General for Tax Administration indicates that the IRS has spent just $6.9 billion of the $57.8 billion available to it, with $2 billion of that used to backfill ordinary operations rather than going to transformational investments.[ii]

Congress should work to ensure the IRS is focused on leveraging this modernization funding into high-impact projects which stand to significantly improve the tax administration environment. For example, one of the IRS's most pressing challenges is its antiquated IT infrastructure. Many of its

core systems rely on decades-old technology, making them increasingly difficult to maintain while contributing to bureaucratic delays. Upgrading to modern architecture could speed processing and allow the agency to better focus its audit activity.

Improving IRS customer service must also be a key focus of modernization.[iii] During recent filing seasons, taxpayers have faced significant hurdles in obtaining timely assistance, whether through telephone support, correspondence processing, or in-person interactions. Improved digital tools, expanded online self-service options, and better-trained personnel can alleviate these issues.

Modernization efforts must be paired with greater transparency and accountability; the IRS should not be given a blank check to spend tens of billions without results. Congress should ensure the agency sets clear, measurable goals and demonstrates real progress in updating its systems. Sufficient oversight—including regular hearings where the agency provides updates against their performance benchmarks—can help to ensure taxpayer dollars are used responsibly and efficiently.

Oversight from this Subcommittee is crucial to ensuring the IRS accelerates the deployment of IRA dollars and targets them to areas of highest impact. The agency must modernize its core functions to improve taxpayer services, increase efficiency, and uphold the integrity of our tax administration system through smarter, more efficient audits. [iv] This entails upgrading critical infrastructure, such as the Individual Master File and Business Master File. These necessary improvements may not generate flashy headlines, but they are essential to ensuring a fair and functional tax system.

At the end of the day, the IRS exists to serve the American people, not the other way around. By ensuring that IRS reform prioritizes core system upgrades, taxpayer service, and operational efficiency, Congress can build a tax administration system that is fairer, more responsive, and truly accountable to the American people.[v]

We at Arnold Ventures applaud the Subcommittee's efforts to hold the agency accountable for delivering meaningful improvements to taxpayers and look forward to partnering with the Subcommittee to ensure the agency stewards taxpayer dollars with the highest level of integrity.

Sincerely,

Andrew Moylan
Vice President of Public Finance
Arnold Ventures

Anna Tyger
Public Finance Manager
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[i] "The tax gap," Internal Revenue Service, last updated December 30, 2024.
[ii] "Quarterly Snapshot: The IRS's Inflation Reduction Act Spending Through June 30, 2024," Treasury Inspector General for Tax Administration, Report Number 2024-IE-R020, September 30, 2024.
[iii] For recommendations around improving customer service, see Bryan Hickman and Joe Bishop-Henchman, "Call to Action: Crafting a New Taxpayer Service Experience," Taxpayers For IRS Transformation, May 2024; and for more information see "Tax Chat! With the Center for Taxpayer Rights on Voluntary Tax Compliance," YouTube, uploaded by the Center for Taxpayer Rights, June 25, 2023.
[iv] For recommendations around modernizing IRS systems, see Bryan Hickman and Pete Sepp, "From Lag to Leap: A Roadmap for Successful IRS Modernization," Taxpayers For IRS Transformation, June 5, 2024; and for more information see "Tax Chat! Transforming Tax Administration – IRS IT Challenges," YouTube, uploaded by the Center for Taxpayer Rights, May 3, 2023.
[v] For recommendations around strengthening taxpayer rights, see Bryan Hickman and Pete Sepp, "Shaping a Future of Fairness: Proposals to Safeguard and Strengthen Taxpayer Rights," Taxpayers for IRS Transformation, June 2024; and for more information see "Tax Chat!: Transforming Tax Administration – IRS Independent Office of Appeals & the US Tax Court," YouTube, uploaded by the Center for Taxpayer Rights, November 26, 2023.