

## INTERNAL REVENUE SERVICE RESTRUCTURING AND REFORM ACT OF 1998

The Senate continued with consideration of the bill.

Mr. ROTH. Mr. President, I ask unanimous consent that the debate on H.R. 2676 continue for debate purposes only until 4:30.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. ROTH. I suggest the absence of a quorum.

The PRESIDING OFFICER (Mr. GORTON). The clerk will call the roll.

The legislative clerk proceeded to call the roll.

Ms. MOSELEY-BRAUN. Mr. President, I ask unanimous consent that the order for the quorum call be rescinded.

The PRESIDING OFFICER. Without objection, it is so ordered.

Ms. MOSELEY-BRAUN. Mr. President, I am a member of the Senate Finance Committee, so it gives me special joy that we have at last turned the Senate's full attention to revamping the Internal Revenue Service.

Should we have acted earlier? Of course, we should have. The House overwhelmingly passed its version of this bill months ago by a vote of 426 to 4, and so the reason that we have delayed, frankly, is inexplicable given this bill enjoys such broad-based support in both Chambers of the Congress.

The Finance Committee unanimously reported this bill out for action in March, and so I am no less encouraged, however, that we are only this week acting on the bill. As you know, we had a subsequent set of hearings which spoke to and gave voice to additional problems with the Internal Revenue Service, and that had something to do with the delay. I think the American people would have liked to have seen us pass the legislation before the tax filing date in April. Nonetheless, we are here today in May to pass this bill, and I am hopeful that we will do so.

Also, I am very pleased by the way that we have in the interim, since the beginning of these hearings and investigations, put in place a Commissioner of the Internal Revenue Service who has demonstrated his willingness to act. I am thankful, also, that in the additional hearings that we had in the Finance Committee, any additional information that came out will provide that Commissioner with the information he will need to take immediate action to, one, uncover abuses, two, rectify them, and three, to protect those good employees in the IRS who have been trying to help with the reform of that agency.

Over the last 8 months, I, along with a number of my colleagues on the Finance Committee, have heard horror story after horror story about the abuses inflicted on taxpayers by unsupported activity within the IRS. We were all outraged by the stories of armed raids on innocent taxpayers' property, unauthorized and unnecessary audits of working-class families,

and excessive fees and penalties charged to taxpayers who are just trying to pay their tax bills on time and in a responsible manner. The tales told at those hearings were appalling, but, frankly, they were nothing new to the American taxpayers who know too well what can happen when an agency with the powers of the Internal Revenue Service goes out of control.

Unfortunately, these stories were not the first that we had heard about these abuses. In fact, if anything, the Congress was called upon to act precisely because of the taxpayers and citizens who were raising the point with all of us as elected officials and demanding action from us. So, finally, we now have an opportunity to respond to them. The calls that we had in my State of Illinois were from Illinoisans who had been verbally abused or harassed by auditors, people who had grown frustrated with not being able to get a simple answer to a simple question, or a nice answer to a simple question. All of those things, I think, reach critical mass. And finally the Congress is going to act on this matter. I think it is not a moment too soon. We all have a responsibility and a duty to correct the abuses and an obligation to put the "service" back into the Internal Revenue Service.

I would like to point out that it has been some 40 years in the making since Congress has considered significant reforms to the IRS. With this bill we therefore have a historic opportunity to overhaul this agency and to transform it into an efficient, modern, and responsive agency that is focused on doing its job and not abusing the American people. The IRS interacts with more citizens than any other Government agency, or, frankly, any other private sector business. It collects fully 95 percent of the revenue which is needed to fund the national Government. It is, therefore, unfortunate that it has become one of the most feared and most hated agencies in the country.

But the blame, frankly, does not lie solely with the IRS. My mother used to have an expression: "When you point one finger, you have three fingers pointing back to yourself." I think, frankly, that Congress bears a significant amount of the blame for not exercising its appropriate and responsible role in oversight of the agency, but also for creating the chaotic tax collection system that we now have. I think, indeed, Congress bears the greatest blame for creating a Tax Code that is burdensome and is so complicated that the transaction costs to ordinary citizens are very often overwhelming. People who should otherwise be able to file a simple tax return find themselves frightened into going and paying tax preparers simply because the Code is so complex that they are afraid they can't make their way around it.

In addition to the awful state of affairs at the IRS, our tax system has also presented a series of tax loopholes for dishonest citizens. You have the

worst of both possible worlds. You have on the one hand complications that honest citizens have a hard time finding their way around, and loopholes that dishonest citizens find too readily.

Last week, it was announced that a "tax gap" existed, which is the amount of nonpaid taxes that people avoid by taking advantage of the loopholes or the complications in the Code. That tax gap amounts to some \$195 billion a year. In other words, honest citizens pay \$1,600 a year per year forever in the taxes they pay because of tax avoidance. While our hearings did not go far enough in talking about this issue of tax compliance, it certainly, I think, heads in the right direction if we can restore some sense of fairness, and if we can restore some sense of confidence with the American people in the operation of this agency.

Mr. President, additionally I hope that after we have passed this bill we will also begin to address the issue of tax complication. Just last month, some 120 million Americans sent out some form of tax return to the IRS. Of these taxpayers more than 40 percent of them filed either the short tax form known as the 1040EZ or the 1040 long form. These two forms—one of which is only one page long—are designed to be simple and easy to complete. But each year, again, millions of Americans paid millions of dollars to tax preparers to fill out these forms because they are afraid of making a mistake and facing the wrath of an IRS, which, frankly, is not known to be very user friendly. I hope that we will address the issue of tax compliance or tax simplification as we address the issue of reform of the agency, because while these two things are related they are not the same thing, and I think it would be a huge mistake to think that with the passage of this legislation we would have cured the underlying problem with the complexity and with the confusion that the Tax Code itself causes.

Unfortunately, we frankly have been moving in the wrong direction in regard to tax simplification or getting rid of the complexities. For example, in last year's Balanced Budget Act, which was, of course, hailed as providing significant tax relief to the American people, the Balanced Budget Act added over 1 million new words and 315 new pages to the Internal Revenue Code. The capital gains computation form alone grew from 19 lines to 54 lines. So anybody who filled out their tax forms in April knows how much more difficult we have made the Code by trying to tinker and trying to give tax relief here and tax relief there.

The result is tax complexity that is, frankly, overwhelming. The average taxpayer will spend some 9 hours and 54 minutes preparing just the 1040 form for the tax year 1997. The total burden on all taxpayers for maintaining records, preparing and filing their tax returns, is estimated to be in excess of 1.6 million hours this year. That is kind of a funny number and incomprehensible. But when you consider how

many people have to put in that kind of time, it really is a staggering use of energy and time by the American people that, frankly, could be put to better use if we had a more simple and fair Tax Code.

I believe, frankly, the system we have now is outrageous. Having the additional headache of figuring out the complex forms dealing with rude and cranky workers at the IRS and possibly facing audit is really overwhelming. That is what has led to this day and brought us to the point of reforming and changing the system.

Mr. President, I think we took the first step toward positive change last October when the President nominated and we confirmed Mr. Rossotti to oversee the IRS. Commissioner Rossotti has already begun the process towards changing the way business is done over there. During his short tenure he has already been quick to respond to problems that are identified. He has proved that he is not afraid to make the hard calls at the IRS. Since his appointment in late October, Commissioner Rossotti has made several major administrative changes that will help taxpayers break through some of the red tape at the IRS.

In December, Commissioner Rossotti announced the establishment of interim procedures requiring higher level management approval of seizures of property for nonpayment of Federal taxes. The issue of seizures was really one of the high points of the abuses that we heard because they are so dramatic and so obvious. In January, Commissioner Rossotti announced broad-sweeping changes designed to modernize the Service. This "modernization" was tailored to emphasize customer service as well as production within the agency. Then, in February Commissioner Rossotti announced internal changes to address the innocent spouse problem, and just this past month he announced the appointment of William Webster to head the IRS' review of the Criminal Investigations Division. I think we should all applaud his willingness to implement some meaningful changes and his interest in moving forward quickly on an issue which, frankly, has been very long in the coming.

The solution does not lie solely in mending the day-to-day administrative operations of the IRS, however. Indeed, this body shares a great responsibility in ensuring that we are responsive to the needs of taxpayers by passing laws that will put the "service" back in International Revenue Service. I believe that this bill is a major step in that direction.

In addition to giving Commissioner Rossotti the additional statutory authority he needs to continue restructuring the management of the agency, this bill also contains several administrative changes. A new oversight board is established that will have the responsibility of reviewing and approving the operational functions of the IRS

and reviewing the practices and procedures of the IRS. The IRS is given greater flexibility in hiring and firing IRS employees, and electronic filers are encouraged to continue filing electronically by removing barriers.

This legislation, however, also provides taxpayers with a plethora of expanded rights and protections, including provisions that will allow taxpayers to enjoy expanded ability to sue the IRS when the IRS blatantly and intentionally disregards the law; a provision that will give the Secretary of the Treasury the authority to provide up to \$3 million annually in matching grants to low-income taxpayer clinics; and a provision that will eliminate the penalty for failure to pay taxes when a taxpayer is paying those taxes under an installment agreement. The rules for computation of interest have been simplified. For those taxpayers who are audited, the bill will include procedures to insure that due process is afforded prior to the seizure of any property and it will require that the IRS set up a process so that any lien, levy, or seizure will have to be approved by a supervisor. Taxpayers would also be given greater access to installment payment agreements with the IRS, greater access to information about the appeals and collections process, and greater access to statements regarding the payments and balance owed in installment agreements.

In addition, several of provisions that I helped craft, and that I believe will give taxpayers further protection, have also been included in this partisan legislation. For example, taxpayers who successfully defend themselves in disputes with the IRS will receive increased reimbursements for legal fees and other expenses incurred. In our hearings we heard from several attorneys who believes that the IRS should pay more reasonable damages when the IRS erroneously pursues an innocent taxpayer. I believe it is only fair that we not leave the taxpayer holding the bill when the IRS audits them unfairly.

Finally, this legislation will also give greater protection to other individuals who are often overlooked by the tax law. For example, new protections for innocent spouses are included in the bill. The change would make couples who file joint returns liable only for taxes based on the income of the husband or wife instead of the total liability for all of the couple's taxes.

There are several other provisions that I believe will also serve useful to many taxpayers. Among them is a so called technical correction that will ensure that more farmers are eligible for the inheritance tax relief that was approved last year by Congress and a provision that would protect computer software writers from having their "source code" information arbitrarily accessed by the IRS. I support the amendment, it is unfortunate that the unintended consequences of complexities we've recently added to the Tax Code come to be remedied by such technical corrections.

All of these changes are needed to amend the current operation of the IRS, but there is still much more to do to address the desperate condition of our tax system as a whole. This bill presents a vital first step in that process.

In closing, I would like to by commending Senators ROTH and MOYNIHAN on their leadership in the Senate Finance Committee on this bill. I would also like to the Kerry Commission for finally getting us to this point.

I would have preferred to have completed fundamental reform of the IRS prior to the April 15th deadline that 140,000,000 taxpayers have to meet, but as the saying goes, "better late than never." I remain encouraged that fundamental reform of our tax system as a whole is around the corner, and I look forward to completing action on this bill. I urge my colleagues to join me in supporting this legislation, and in doing so beginning the process of reforming our tax system in a manner that is fair and efficient for all Americans.

I commend the commission, the KERREY commission. Senator Kerrey is on the floor. I want to commend him for his work in this regard. He has done a great deal to bring us this far. I want to commend the chairman of the Finance Committee, Senator ROTH, for his work in giving us a bipartisan bill. I want to register my strong support for this initiative. I think this bill shows Congress at its best, when we are functioning in the oversight capacity over these agencies that I think the Founding Fathers intended us to do. This oversight is so vitally important to restore confidence not just in the Internal Revenue Service but in our Government as a whole.

I thank the Chair, and I yield the floor.

#### WORKFORCE INVESTMENT PARTNERSHIP ACT OF 1997

The PRESIDING OFFICER. Under the previous order, the Senate will now proceed to the consideration of H.R. 1385, which the clerk will report.

The legislative clerk read as follows:

A bill (H.R. 1385) to consolidate, coordinate, and improve employment, training, literacy, and vocational rehabilitation programs in the United States, and for other purposes.

The Senate resumed consideration of the bill.

The PRESIDING OFFICER. Under the previous order, there will now be 60 minutes of debate equally divided in the usual form for closing remarks prior to final passage.

Mr. JEFFORDS. Mr. President, first I yield to the Senator from Minnesota for a unanimous consent request.

The PRESIDING OFFICER. The Senator from Minnesota.

#### PRIVILEGE OF THE FLOOR

Mr. WELLSTONE. Mr. President, I ask unanimous consent that Jana O'Leary, who is an intern in my office,