

April 8, 2019

Hon. Charles P. Rettig
Commissioner
Internal Revenue Service
1111 Constitution Avenue NW
Washington, D.C. 20224

Hon. Kirsten Wielobob
Deputy Commissioner for Services and Enforcement
Internal Revenue Service
1111 Constitution Avenue NW
Washington, D.C. 20224

Dear Commissioner Rettig and Deputy Commissioner Wielobob:

I write to express my concern regarding the disproportionate number of tax audits that occur in two of Maine's most disadvantaged counties. I urge you to refocus the IRS's all-too-scarce resources on auditing people with known rates of high tax noncompliance, and away from the people, including many in my state, who are most harmed by the audit process.

The IRS's misdirected audits of lower-income Americans have led to higher-than-average audit rates in two of Maine's most underprivileged counties. In 2017, citizens of Piscataquis County, Maine earned a median household income of just \$38,797. Their neighbors in Washington County earned a median household income of \$40,328. These hardworking Mainers were audited nearly 10 percent more frequently than people who live in Sonoma County, California, where the median household income is \$71,769.

Research has established a clear cause for this disparity in audit frequency: the IRS audits lower-income households receiving the Earned Income Tax Credit ("EITC") with disturbing frequency. In fact, households claiming the EITC – an anti-poverty credit which can start phasing out at just \$14,450 in income for a married couple, and completely disappear at \$21,370 in income – are audited by the IRS more frequently than households within any other income band, save for those earning more than \$1 million per year. Recently, the IRS audited households claiming the EITC at *twice* the rate that it audited households earning between \$200,000 and \$500,000.

The Service's focus on EITC audits is counterproductive. According to the National Taxpayer Advocate, EITC overpayments accounted for just six percent of gross individual tax noncompliance. By contrast, individuals who underreport business income are responsible for 51.9 percent of such noncompliance. The IRS should refocus its audit activities on the individuals who owe the most in unpaid Federal taxes.

The frequency of audits in Piscataquis and Washington Counties Maine is unacceptable. It causes severe economic hardship for those who can afford it the least. As you know, when a taxpayer comes under audit, the Service may withhold his or her refund until the audit concludes. By auditing taxpayers who claim the EITC more frequently, the IRS withholds refunds from people who depend on those funds to make ends meet. While wealthier families likely have the financial reserves to weather such a financial setback, many people in Washington and Piscataquis Counties do not.

Additionally, families claiming the EITC often do not have the resources to obtain professional representation during an audit. In Maine, low-income families who come under audit have recourse to just one free legal clinic.

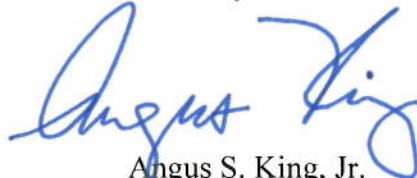
I am deeply concerned for the financial wellbeing of my state's most vulnerable citizens. Recently, I expressed my concern for them to Commissioner Rettig when I urged him in a letter dated March 14, 2019 to reopen the Bangor, Maine Taxpayer Assistance Center immediately.

Now, I call on you to reform the IRS's audit selection procedure and remedy that procedure's disproportionate focus on EITC claimants. I also ask that you answer the following questions by April 15:

1. What steps will the IRS take to ensure that it audits taxpayers most responsible for the Federal tax gap?
2. During the past five years for which data is available, how many Maine taxpayers had their refunds withheld as a result of EITC audits?
3. How does the Service plan to provide sufficient legal representation to low-income Maine citizens who come under audit?

I look forward to receiving your responses to my questions. Please do not hesitate to reach out to me or to have your staff contact Alex Porter at alex_porter@king.senate.gov.

Sincerely,

A handwritten signature in blue ink that reads "Angus King". The signature is stylized and cursive.

Angus S. King, Jr.
United States Senator