



## IRS scandal merely tip of iceberg of agency's problems

**By Veronique de Rugy**  
**February 13, 2014**

The Internal Revenue Service has been in some hot water lately for allegedly targeting political enemies.

In 2013, it was revealed that the federal tax agency systematically hassled and unfairly scrutinized nonprofit organizations applying for tax-exempt status, simply on the basis of their names or assumed political leanings.

The fact that most victims were organizations that had Tea Party- or conservative-sounding names was a big red flag of government-backed political harassment.

So far, the issue is unresolved. The House Oversight and Government Reform and Ways and Means committees have been holding hearings to determine wrongdoing and responsibility.

State-backed political abuse is horrible on its own, but these are not the only questionable decisions made by the IRS.

Consider this: The U.S. tax code has become so horribly complicated over the years that taxpayers have a hard time figuring out how to even comply with the whole thing. To help taxpayers navigate their Borgesian maze of itemized deductions and conditional credits, the IRS runs a call center to assist and answer questions. According to the IRS' mission statement, its job is to help taxpayers navigate this tax maze so they can "meet their tax responsibilities and enforce the law with integrity and fairness to all."

Well, not lately. [this chart](#) by my colleague Jason Fichtner shows how taxpayers receive increasingly worse services from the agency. An internal review from the IRS reports that its customer service representatives are answering fewer "customer" calls and keeping callers on hold for longer periods.

The IRS' response to this finding is even more concerning. Its solution? IRS customer service representatives are directed to stop answering taxpayers' more complicated, and hence more time-consuming, questions.

That's right: The federal government created a terribly complicated tax code and then decided that it will take its time answering taxpayers' hardest questions about the whole mess. Meanwhile, if you mess up your tax forms, it won't hesitate to call you for answers.

What's worse, the IRS hates competition. In 2012, the agency took steps to squeeze out small tax-prep companies by imposing onerous (and unnecessary) education and licensing requirements. Thankfully, as Reason Magazine's [Katherine Mangu-Ward explains](#), "The libertarian legal outfit Institute for Justice helped mom-and-pop tax prep firms challenge the new regs."

In this case, the good guys won. News arrived a few days ago that the "D.C. Circuit Court of Appeals ruled that the IRS had no legal authority to impose a nationwide licensing scheme on tax-return preparers." For now, you can at least seek prompt, affordable, tax assistance from private firms while the IRS gets its customer service act together. However, this victory is merely one small riposte against the IRS' disturbing broader power grab.

Have you heard that the IRS has been working with the Treasury to quietly authorize Affordable Care Act-related taxes that exceed its statutory jurisdiction? The Cato Institute's Michael Cannon [has been sounding the alarm](#) about the questionable legal basis for this new IRS expansion of power.

Cannon reports that the IRS and Treasury Department have rolled out possibly illegal taxes for the payment of Obamacare's premium subsidies in states that declined to establish their own exchange. As written, the ACA only directs the IRS to impose specific taxes and pay premium subsidies in state-established exchanges. Yet, as Cannon writes: "Nevertheless, agency officials agreed, again with apparent unanimity, to impose those taxes and dispense those subsidies in states with federal exchanges, the undisputed plain meaning of the PPACA notwithstanding."

This action isn't just potentially illegal, it could have serious financial consequences for the country. As Cannon explains, "Treasury, IRS, and HHS officials simply rewrote the law to create a new, unauthorized entitlement program whose cost 'may exceed \$500 billion dollars over 10 years.' (My own estimate puts the 10-year cost closer to \$700 billion.)"

More debt — just what the doctor prescribed!

Cannon goes on to describe bureaucrats at the IRS and Treasury who ultimately decided they "knew better than Congress how many taxpayer dollars they should spend. Who had a vision of health care reform that they were determined to enact, even though their vision did not and could not pass Congress. [They] could not be bothered to obey the law."

Are you getting all of this? The IRS is unresponsive to the public, anti-competitive toward private tax preparers, and abuses its power to establish illegal and expensive tax and subsidy schemes on a whim.

Now, that is another IRS scandal that deserves a lot of attention.