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R&D tax credit vote set for today — House holds Lerner in contempt — U.S. could lose \$3B with fewer audits

By MACKENZIE WEINGER
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R&D TAX CREDIT VOTE SET FOR TODAY. The Republicans' plan to permanently extend the research and development tax credit is slated for a vote today, following a hiccup on Wednesday. Democrats yesterday seized "on the fact that Republicans failed to waive pay-as-you-go budgeting rules as part of their plan to permanently extend the research and development tax credit," our Brian Faler reports.

"That means it could end up triggering a new round of sequestration cuts that hit sensitive programs like Medicare and student loans. ... The complaints come amid howls from Democrats that Republicans aim to tack the bill's \$155 billion cost onto the deficit, even as other priorities remain waylaid over their costs." Republicans sent the R&D bill to the Rules Committee to fix the PAYGO issue, a move Democratic Rep. Chris Van Hollen's spokeswoman Bridgett Frey said only happened for "one reason — Democrats blew the whistle on the fact that they planned to finance their tax break by cutting Medicare."

HOUSE HOLDS LERNER IN CONTEMPT. Our Rachael Bade reports the Republican-led chamber voted 231-187, largely along party lines, to hold former IRS official Lois Lerner "in contempt for refusing to answer House Republicans' questions. Six Democrats voted with Republicans."

"Democrats dismissed the process as political foreplay designed for election season. ... Lerner's lawyer William Taylor said in statement that 'it is unfortunate that the majority party in the House has put politics before a citizen's constitutional rights.' Lerner has said she has broken no laws. The contempt citation now goes to the Justice Department, where the U.S. Attorney for the District of Columbia could bring the issue to court. The Department would not respond to

request for comment on whether they will proceed with the case — but some experts are expecting them to kill it rather than haul Lerner to court.” <http://politico.pro/1jg8YUN>

HAPPY THURSDAY! Your Morning Tax-er is a little disappointed the Dodgers dropped the series finale versus the Nats, but hey — at least Kershaw is back in action now. If you want to talk taxes, you can find me at mweinger@politico.com or on Twitter at [@mweinger](https://twitter.com/mweinger). As always, please follow [@POLITICOPro](https://twitter.com/POLITICOPro) and [@Morning_Tax](https://twitter.com/Morning_Tax).

HOUSE: Meets at 10 a.m.

SENATE: Convenes at 9:30 a.m.

GOP DARES WHITE HOUSE TO IGNORE LERNER CONTEMPT. Rachael has the story: By voting to hold Lerner in contempt, Republicans have put her “fate in the hands of President Barack Obama’s Justice Department — the very place they accuse of conducting a sham IRS probe. While some legal experts are predicting the administration will refuse to take the citation to court, others say it would be unprecedented if they take that route, setting a new tone that undermines Congress’s contempt authority for generations.” Read on: <http://politico.pro/1kNhgQi>

DEMS USE LERNER VOTE FOR CAMPAIGNING, TOO. We often think of Republicans as reaping the most political benefit from the messaging surrounding the IRS scandal. But turns out more than a few Democrats last night were likely thinking about their campaigns back home when casting their Lerner contempt votes here in Washington. Of the six Democrats that voted her in contempt, almost all are election-vulnerable or from toss-up districts.

First, there's Rep. Ron Barber (Ariz.), in one of the GOP's easiest pick-up districts. Then, there's Rep. Nick Rahall (W.Va.), whose district sided with Mitt Romney by a giant 30-point lead over Obama in 2012, according to Roll Call. And don't forget Georgia congressman John Barrow and agriculture king Rep. Collin Peterson (Minn.) — both of whom top the NRCC's target list with Barber and Rahall. Lastly: Rep. Patrick Murphy (Fla.), who ousted tea party favorite Allen West last election, and North Carolina Rep. Mike McIntyre, who threw in the towel and will retire because his district is becoming more and more conservative.

DOJ TO CAMP: WE’LL CONSIDER YOUR FINDINGS. The Department of Justice sent House Ways and Means Chairman Dave Camp a note yesterday in response to an April 9 letter from the congressman that provided the department with information and documents the committee has obtained in its IRS tea party targeting investigation.

“As you may know, the Department has an ongoing criminal investigation into the IRS’s treatment of groups applying for tax-exempt status, which is being conducted jointly with the Treasury Inspector General for Tax Administration (TIGTA). We appreciate your concern and will carefully consider the Committee’s findings as part of our investigation into these allegations. We hope this that this information is helpful,” Peter Kadzik, the Principal Deputy Assistant Attorney General for Legislative Affairs wrote.

** A Message from the Wine & Spirits Wholesalers of America (WSWA)... Congress: What does LIFO repeal mean for Wine & Spirits Wholesalers and their 63,000 employees? An unprecedented retroactive tax costing \$2,642 per wholesaler employee, resulting in wage cuts, benefit reductions, and job losses. www.wswa.org. **

IRS, UNION CLOSE TO DEAL ON BONUSES FOR WORKERS WITH TAX ISSUES.

IRS Commissioner John Koskinen on Wednesday said the agency is near the end of negotiations with the employees' union to potentially end bonuses for workers with tax compliance problems. Koskinen told the House Ways and Means oversight subcommittee the union has "indicated they are willing to negotiate" and the IRS is developing a policy that it will present to the union this week. The commissioner said the agency will work with the union to bring IRS employees in line with the current rule that applies to senior employees, whose bonuses are already linked to conduct.

U.S. COULD LOSE \$3B WITH FEWER AUDITS. In his testimony, Koskinen also revealed that the IRS estimates the government will lose "almost \$3 billion in revenues" as a result of conducting fewer audits due to budget cuts. The agency will perform 100,000 fewer individual audits this year, he said, and there will be similar declines in audits of high wealth-individuals, businesses and partnerships.

KOSKINEN: SPECIAL COUNSEL 'WASTE OF TIME AND RESOURCES.' After the hearing, Koskinen weighed in on the House resolution calling on Attorney General Eric Holder to appoint a special counsel to investigate the allegations the IRS illegally targeted conservative groups: "At this point we have six investigations going. Two in the Senate, two in the House, Justice Department and the Inspector General. So my thought would be that before we have yet another investigation, it might be good what the six of them have to say and what they found and whether there's any gaps."

"I would expect that you would think that when you got done with six investigations there wouldn't be any much else left to investigate," he told reporters. "So I think having a seventh investigations started at this time is probably not going to teach anybody anything and it's going to be a waste of time and resources. I'd rather see the investigations underway concluded." The House later approved the nonbinding resolution.

PAUL STILL INTENDS TO OPPOSE TAX TREATIES. Rachael reports, "Republican Sen. Rand Paul on Wednesday wrote Democratic Majority Leader Harry Reid to repeat his intention to hold up five pending tax treaties — including a crucial deal with Switzerland. ... Paul's letter said he is still concerned about the privacy rights of American citizens whose bank data may be disclosed to U.S. authorities under deals the countries are making with Treasury under the Foreign Account Tax Compliance Act. Paul says the treaties will be used as a tool for the U.S. carrying out FATCA and potentially denying the rights of individuals. The Kentucky Senator will also oppose pending treaties with Luxembourg, Hungary, Chile and Organisation for Economic Co-operation and Development (OECD)."

WHAT'S ON TODAY. The Cato Institute is holding a discussion, "Beyond the Individual Mandate: The Obamacare 'Tax' Is Still Unconstitutional," at noon; The American Bar Association kicks off the Tax Section 2014 May meeting today at the Grand Hyatt Washington.

QUICK LINKS:

—USA Today editorializes on tax extenders, writing that “making a useful tax cut permanent makes sense, but doing it without offsetting the cost — and pretending the cost doesn't even matter — does not. Any House member who votes for this stinker will forfeit any credibility on deficits or the national debt.” <http://usat.ly/1mCXXQt>

—Camp: “I’m not going to give up until it’s my last day.” <http://bit.ly/1s4PNgT>

—Sen. Lamar Alexander (R-Tenn.) writes an op-ed for The Wall Street Journal saying the wind-production tax credit should not be renewed. <http://on.wsj.com/RsRdXh>

—Florida Today: “Amazon.com begins charging tax Thursday in Florida.” <http://on.flatoday.com/QgBREh>

—Reuters reports, “Guatemala is considering the possibility of earning taxes from the sale of opium poppies to help fund drug prevention programs and other social spending.” <http://bit.ly/RsrNsL>

—The Financial Times: “Pfizer case stirs unease at UK tax haven charges.” <http://on.ft.com/1ioPcFG>

—Former Sen. Judd Gregg (R-N.H.) and former Gov. Ed Rendell (D-Pa.) call for tax reform in an op-ed for The Hill. <http://bit.ly/11ZWHnP>

DID YOU KNOW? Flavor Flav can play 15 instruments, including the oboe.