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IRS Scandals

By Veronique de Rugy

I have a piece up at the *Washington Examiner* arguing that the IRS's systematic targeting of nonprofit organizations applying for tax-exempt status simply on the basis of their names or assumed political leanings is only one of the questionable moves the agency has made.

Taxpayers who have to put up with a complicated tax code are receiving increasingly worse services from the tax agency. Its customer service representatives are answering fewer "customer" calls and keeping callers on hold for longer periods. Instead of trying to jack up the quality of its services, the IRS decided to stop answering the harder, more time-consuming questions.

But it doesn't stop there. The IRS also decided that in this context it would be a great idea to try to squeeze the competition and make it harder for taxpayers to get tax advices from small tax-prep companies by imposing onerous (and unnecessary) education and licensing requirements. Tim Carney has a good piece explaining how the IRS move would benefit the big companies like H&R Block.

The great news is that didn't work:

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.

But it gets much worse than that. Michael Cannon at the Cato Institute is fighting to prevent the IRS and Treasury from illegally rewriting the healthcare law:

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.)”

For the complete story and analysis on this issue, please read the work of Michael Cannon, and in particular, this piece.