

Oversight subcommittee spotlights transparency, taxpayer privacy, and addresses need for IRS modernization

During a House Ways and Means Subcommittee on Oversight hearing on February 11 on the “IRS Return on Investment and the Need for Modernization,” several Republican subcommittee members raised the issue of transparency, while their Democratic counterparts addressed taxpayer privacy; both issues were discussed in relation to Department of Government Efficiency (DOGE, established in this executive order) members who were granted ‘read-only’ access to Treasury’s payment systems. Meanwhile, subcommittee members also deliberated on a range of other issues including the direct file program, information technology, customer service, and the nonpartisan Congressional Budget Office (CBO).

URL: <https://www.whitehouse.gov/presidential-actions/2025/01/establishing-and-implementing-the-presidents-department-of-government-efficiency/>

In his opening statement, Chair David Schweikert (R-Ariz.) questioned how the IRS could be modernized so it can meet its mission to better serve taxpayers and reduce the friction with “population taxpayers,” who he considered to be taxpayers who are “trying to survive and understand [their tax reporting obligations].” Schweikert noted that, even after receiving an infusion of cash from the Inflation Reduction Act of 2022 (IRA, P.L. 117-169), the IRS is still only answering 31 percent of phone calls during tax season and has continued to experience a challenging time hiring more employees.

URL: <https://www.congress.gov/117/plaws/publ169/PLAW-117publ169.pdf>

“Is the solution [to hire] an army of more bodies [for the agency] in the same environment where, when they were given the resources, they were not able to hire? Or is it ultimately a technology solution [that will modernize the agency]...?”

Ranking Member Terri Sewell (D-Ala.), for her part, touted the IRS’ accomplishments that have resulted from the IRA funding and noted dramatic improvements in taxpayer services, including answering more phone calls, providing expanded in-person outreach to rural and underserved taxpayers, and simplifying notices and letters. Like other Democratic members on the panel, she also expressed concern as to the DOGE’s ‘read-only’ access to the Treasury’s payment systems.

Shine the light ‘on the books’

The co-chair of the House DOGE caucus, Rep. Aaron Bean (R-Fla.), supported giving government officials ‘read-only’ access to the Treasury’s payment systems, while he also emphasized that “Elon Musk himself does not have access to the systems.”

“If President Trump and Secretary Bessent want to open the books on Treasury’s payment systems, that’s their prerogative and we would encourage them to do so, subject to applicable legal rules.” He added that, if you are “doing what is right, you welcome audits. You welcome the sunshine...”

To clear up any other outstanding issues, he emphasized that “neither he [Musk] nor DOGE has the power to cut off Social Security checks, Medicare benefits, or tax refunds.”

Bean issued a release last month and outlined the DOGE House caucus’ platform which includes “serving the interests of taxpayers, and taxpayers are best served by a lean, efficient, transparent, and accountable bureaucracy.”

[URL: https://bean.house.gov/media/press-releases/doge-caucus-co-chairs-release-congressional-doge-caucus-platform](https://bean.house.gov/media/press-releases/doge-caucus-co-chairs-release-congressional-doge-caucus-platform)

Rep. Beth Van Duyne (R-Texas) also emphasized the need for transparency and praised the approach of the new administration’s head of efficiency.

“Elon Musk’s approach to this [access to Treasury’s payment systems] is about transparency, it’s about open systems.” She stressed that when we refer to transparency in government, “it actually means creating systems where access is properly monitored, secured in law, and justified with clear oversight.”

As a proponent of government efficiency, she also applauded the efforts of Musk and Trump and stated that their vision represents a future where “government efficiency” is achieved through “technical safeguards, open auditing mechanisms, and a commitment to individual privacy.”

Just last month, Van Duyne announced in a press release the reintroduction of legislation to improve government efficiency – the Government Office Realignment And Closure Act of 2025 – or the “GORAC Act,” and stated that the bill would “identify inefficient, wasteful, and outdated functions within federal agencies while setting up fast-tracking procedures for consideration of recommendations from a third-party auditor.” (Previously, she introduced the GORAC Act in the 118th Congress (H.R. 397) and in the 117th Congress (H.R. 9253).)

[URL: https://vanduyne.house.gov/2025/1/rep-van-duyne-reintroduces-legislation-to-shrink-the-bureaucracy-and-reduce-national-debt](https://vanduyne.house.gov/2025/1/rep-van-duyne-reintroduces-legislation-to-shrink-the-bureaucracy-and-reduce-national-debt)

[URL: https://vanduyne.house.gov/_cache/files/3/e/3e6ff6fe-0334-4603-ba28-803df8b593e9/672F9513513A06CBBF32749F4E7228D0.119th-gorac-final.pdf](https://vanduyne.house.gov/_cache/files/3/e/3e6ff6fe-0334-4603-ba28-803df8b593e9/672F9513513A06CBBF32749F4E7228D0.119th-gorac-final.pdf)

[URL: https://www.congress.gov/bill/118th-congress/house-bill/397/text](https://www.congress.gov/bill/118th-congress/house-bill/397/text)

[URL: https://www.congress.gov/bill/117th-congress/house-bill/9253/text](https://www.congress.gov/bill/117th-congress/house-bill/9253/text)

What about taxpayer privacy?

For their part, Democratic taxwriters, including Terri Sewell of Alabama, Judy Chu of California, and Lloyd Doggett of Texas, all raised concerns about taxpayer privacy given the DOGE’s ‘read-only’ access to the Treasury’s payment systems.

Chu referred to the taxpayer bill of rights which the Internal Revenue Service adopted to provide taxpayers with “fundamental” rights when dealing with the agency, one of which is the right to confidentiality. She noted that “taxpayers entrust the IRS with their most sensitive information.” Chu questioned witness Nina Olson, the former IRS National Taxpayer Advocate and current executive director for Center for Taxpayer Rights, about

the consequences to the voluntary system of taxpayer compliance as a result of affording DOGE officials with 'read-only' access to the Treasury's payment systems.

URL: <https://www.irs.gov/taxpayer-bill-of-rights>

"I personally believe that confidentiality is core at why taxpayers agree to send in and self-assess...their tax liabilities on the [form] 1040." Olson added that, if taxpayers believe that information is "widely disseminated throughout other federal agencies, or state agencies, or local agencies, this will...chill people [from] reporting [their tax] information [to the IRS]."

Reps. Lloyd Doggett of Texas and Mike Thompson of California (he is not a subcommittee member but waived on to the subcommittee for this hearing) also broached the issue of taxpayer privacy and referenced the ongoing litigation in this area.

Litigation update: The United States District Court for the Southern District of New York limited access to the Treasury payment systems which contain "personally identifiable information and/or confidential financial information of payees" and also ordered certain persons to "destroy any and all copies of material downloaded from the Treasury Department's records and systems." The order, which is still upheld as of press time, was given after 19 Democratic state Attorney Generals' offices brought a complaint against Trump and Bessent for declaratory and injunctive relief regarding the policy on 'read-only access' of information contained in the Treasury's payment systems. A hearing on the matter was scheduled for February 14.

URL: <https://ag.ny.gov/sites/default/files/court-filings/state-of-new-york-et-al-v-trump-et-al-order-2025.pdf>

URL: <https://ag.ny.gov/sites/default/files/court-filings/state-of-new-york-et-al-v-trump-doge-temporary-restraining-order-memo-2025.pdf>

Legislative move: In related news, all 19 Democratic taxwriting members, led by Doggett, introduced a resolution of inquiry which, if passed, would direct Treasury to transmit within two weeks copies of "any document, record, audio recording, memorandum, call log," and others concerning the 'read-only' access by members of DOGE to the Treasury payment systems. The resolution also asked for records for any "confidential tax return and return information" under section 6103 and any screenshots taken by Musk or other team members of the payment systems' data or records. The resolution was introduced on February 12 and then referred to the House Ways and Means Committee where Republicans hold a 26 to 19 seat majority over the Democrats.

URL: https://democrats-waysandmeans.house.gov/sites/evo-subsites/democrats-waysandmeans.house.gov/files/evo-media-document/DOGGET_013_xml.pdf

Broad range of other topics raised, too

Subcommittee members also addressed a range of issues on IRS modernization and the return on investment from IRS initiatives, including direct file, information technology, customer service, and the nonpartisan CBO.

Direct File: Currently being used by taxpayers in the 2025 filing season, the IRS' direct file program – an online tax return system that enables eligible taxpayers to file their taxes for free – has been a hot button issue for Republicans since it started as a pilot program last year. Rep. Michelle Fischbach (R-Minn.) raised concerns

about the Biden administration that she said “overstepped its authority and created a pilot program...without congressional approval.” She also questioned whether the direct file program has been a good return on investment for the agency based on analysis that the per-taxpayer cost of the system was \$900/filer for tax year 2024.

URL: <https://www.irs.gov/filing/irs-direct-file-for-free>

Witness Pete Sepp, president of the National Taxpayers Union, did not think the program has been a good return on investment for the IRS. He estimated that it would cost approximately \$2 billion (\$200 million per year over 10 years) for the IRS to operate direct file and that this money could be better used for other “imperatives” that the agency needs. He also suggested that Congress consider “more than doubling” funding for organizations that serve moderate and low-income taxpayers, like the volunteer income tax assistance program, low-income tax clinics, and the elderly tax counseling program, rather than fund the direct file program.

Information Technology: Outdated technology at the IRS has been a frustration for members including Rep. Nicole Malliotakis (R-N.Y.) who maintained that these deficient IRS systems “have left many [taxpayers] vulnerable to fraud.” She said that many constituents in her district have been subject to fraud through stolen tax refund checks. She said there were 377 cases totaling more than \$5 million and emphasized that “modernizing the systems is no longer optional.” (For coverage of Malliotakis’s legislation on the recovery of stolen checks, in addition to four other tax administration bills that the Ways and Means Committee marked up this week, see related story in this edition of Tax News & Views.)

Frustrated by the agency’s use of “decades old systems,” such as their use of a fax machine, Rep. Max Miller (R-Ohio) said that he wanted to ensure that taxpayer dollars result in modernizing the agency and that deploying “digital tools” could save the IRS billions of dollars. Miller noted that fax machines are reminiscent of “1960’s technology” and “jeopardize taxpayer information.”

“I would like to think that the IRS would meet somewhere in the middle between a fax machine and where we are today in 2025.” He added that “there is some other system that can be put in place that is safe, secure, and protective of the American people’s sensitive information.”

Rep. Nathaniel Moran (R-Texas) called out the IRS for spending more federal funding on enforcement efforts of American taxpayers than it invested in “modernization and cybersecurity improvements.” He argued that there has been a number of cybersecurity breaches “all over the country” which he said is “due to outdated cybersecurity infrastructure that is proven to be vulnerable to foreign operatives.”

Customer Service: Rep. Rudy Yakym (R-Ind.) was skeptical of the IRS’ level of customer service by phone, particularly since passage of the IRA when the IRS got additional funding for taxpayer services. He focused on statements made by former Treasury Secretary Janet Yellen with respect to taxpayer services in the 2024 tax filing. She said that “by phone, we will again commit to an 85 percent level of service during the filing season, meaning the vast majority of callers will be connected to live assistants and get support.” (see text of a statement by Yellen on how the IRS delivers for taxpayers)

URL: <https://home.treasury.gov/news/press-releases/jy1888>

With the help of Olson, Yakym clarified that, when all the calls the IRS received during the 2024 filing season have been accounted for, including those calls from taxpayers with tax law questions, identity theft issues, compliance and collection matters, and others, only 32 percent of those calls were routed to a live assistor – not “the vast majority of callers” as maintained by Yellen.

Congressional Budget Office: House Ways and Means Committee Chairman Jason Smith (R-Mo.) stressed that the nonpartisan CBO has continued to “miss the mark” when it comes to projecting economic and fiscal outcomes. He stated that the CBO and the Joint Committee on Taxation (JCT) work “hand in glove” when it comes to tax policy. They have proven to be wrong whether it’s concerning the Tax Cuts and Jobs Act of 2017 (P.L. 115-97) or the IRA and have been off by “hundreds of billions of dollars and in some cases trillions of dollars” in scoring.

URL: <https://www.congress.gov/115/plaws/publ97/PLAW-115publ97.htm>

“If we as lawmakers need to make decisions based on CBO and JCT analysis, you bet it better be right, and it hasn’t been.”

Witness Hayden Dublois from the Foundation for Government Accountability agreed with Smith’s comments particularly related to the CBO’s projections of the IRA and stressed that the CBO has consistently “underestimated the costs of increasing the size of government and overstated the costs associated with tax relief.”

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