

Finance Committee schedules Werfel's confirmation hearing for IRS commissioner post

The Senate Finance Committee announced this week that it will hold a hearing on February 15 to consider President Biden's nomination of Danny Werfel to be the next commissioner of the Internal Revenue Service.

Werfel was nominated late last year to succeed former IRS Commissioner Charles Rettig, whose five-year statutory term expired November 12, 2022, and he was renominated at the start of the 118th Congress last month. IRS Deputy Commissioner for Services and Enforcement Doug O'Donnell has been serving as acting commissioner since Rettig stepped down.

Werfel is currently the global leader of Boston Consulting Group's Public Sector practice, but has more than 15 years of experience in the federal government, including stints as acting IRS commissioner and as controller of the White House Office of Management and Budget during the Obama administration. He holds a Bachelor of Science degree in Industrial and Labor Relations from Cornell University, a Juris Doctor degree from the University of North Carolina at Chapel Hill, and a Master of Public Policy degree from Duke University.

Plans for new enforcement funding a likely line of inquiry

If his nomination clears the Finance Committee and is subsequently confirmed by the full Senate, Werfel would be taking charge of the IRS as the agency begins administering the roughly \$80 billion (over 10 years) in new mandatory funding that was authorized under the Inflation Reduction Act (P.L. 117-169) to beef up its enforcement programs, modernize its information technology systems, and improve its customer service operations.

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

Issues around the size of the IRS's budget and how the agency uses its resources were a frequent source of partisan disagreement in both congressional taxwriting committees last year and are likely to arise once again when Werfel appears before the Finance Committee. The White House and congressional Democrats have argued that the additional Inflation Reduction Act funding will enable the IRS to invest in customer service and technology upgrades and deploy highly specialized audit teams focused on top-tier corporations, large partnerships, and ultrawealthy individuals to help reduce the "tax gap"—that is, the difference between the dollar amount of taxes legally owed to the federal government and the amount actually paid and collected on a timely basis. Republicans, meanwhile, have countered that a budget bump for enforcement efforts will embolden the IRS to increase audit activity directed toward small businesses and middle-class taxpayers.

Treasury Secretary Janet Yellen last summer directed the agency to produce a plan for administering the funds by February 17.

Werfel also may face questions about issues such as recent breaches of protected taxpayer information, the agency's backlog of unprocessed paper tax returns, and its plans for implementing return-to-office policies for employees who had been allowed to work remotely during the COVID-19 pandemic.

— Michael DeHoff
Tax Policy Group
Deloitte Tax LLP

This communication contains general information only, and none of Deloitte Touche Tohmatsu Limited (“DTTL”), its global network of member firms or their related entities (collectively, the “Deloitte organization”) is, by means of this communication, rendering professional advice or services. Before making any decision or taking any action that may affect your finances or your business, you should consult a qualified professional adviser.

No representations, warranties or undertakings (express or implied) are given as to the accuracy or completeness of the information in this communication, and none of DTTL, its member firms, related entities, employees or agents shall be liable or responsible for any loss or damage whatsoever arising directly or indirectly in connection with any person relying on this communication. DTTL and each of its member firms, and their related entities, are legally separate and independent entities.

About Deloitte

Deloitte refers to one or more of Deloitte Touche Tohmatsu Limited (“DTTL”), its global network of member firms, and their related entities (collectively, the “Deloitte organization”). DTTL (also referred to as “Deloitte Global”) and each of its member firms and related entities are legally separate and independent entities, which cannot obligate or bind each other in respect of third parties. DTTL and each DTTL member firm and related entity is liable only for its own acts and omissions, and not those of each other. DTTL does not provide services to clients. Please see www.deloitte.com/about to learn more.

Deloitte provides industry-leading audit and assurance, tax and legal, consulting, financial advisory, and risk advisory services to nearly 90% of the Fortune Global 500® and thousands of private companies. Our professionals deliver measurable and lasting results that help reinforce public trust in capital markets, enable clients to transform and thrive, and lead the way toward a stronger economy, a more equitable society and a sustainable world. Building on its 175-plus year history, Deloitte spans more than 150 countries and territories. Learn how Deloitte’s approximately 415,000 people worldwide make an impact that matters at www.deloitte.com.