

## Senate taxwriters approve Werfel's nomination as IRS commissioner

The Senate Finance Committee voted 17-9 on March 2 to advance President Biden's nomination of Daniel Werfel to serve as the next commissioner of the Internal Revenue Service, clearing the way for a confirmation vote by the full Senate.

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 in January. 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.

### Some Republican support—and some Republican pushback

The successful committee vote was expected, given the generally favorable tone of Werfel's February 15 confirmation hearing before the panel. (For coverage of the hearing, see *Tax News & Views*, Vol. 24, No. 6, Feb. 17, 2023. The Finance Committee also has released Werfel's written responses to questions that were submitted for the record after the hearing.)

**URL:** [https://dhub.blob.core.windows.net/dhub/Newsletters/Tax/2023/TNV/230217\\_2.html](https://dhub.blob.core.windows.net/dhub/Newsletters/Tax/2023/TNV/230217_2.html)

**URL:** <https://www.finance.senate.gov/imo/media/doc/Daniel%20Werfel%20Senate%20Finance%20Committee%20QFR's%20-%20February%2024,%202023.pdf>

Three Republican taxwriters—Charles Grassley of Iowa, Bill Cassidy of Louisiana, and Todd Young of Indiana—joined the panel's 14 Democrats in supporting Werfel's nomination this week. Another Republican—Sen. Thom Tillis of North Carolina—had publicly pledged to back Werfel but was not present when the committee held its vote.

GOP taxwriters who voted against Werfel appeared to do so more out of frustration with the IRS rather than in response to any specific reservations about Werfel personally—at least based on statements made when the panel met in an open executive session to consider his nomination and in prior comments to reporters. (Because there was not a quorum present at the March 2 executive session, the actual vote on Werfel's nomination took place behind closed doors later that day.)

The GOP's frustrations have stemmed chiefly from the roughly \$80 billion (over 10 years) in new mandatory IRS funding that was authorized in last year's Inflation Reduction Act (P.L. 117-169), the massive budget reconciliation package that moved through Congress without any GOP support. Much of that amount is allocated to beefing up the IRS's enforcement programs and Republicans have warned that the cash infusion could transform the agency into an auditing behemoth that will bear down inordinately on small businesses

and low- and middle-income individuals. Those concerns have only been exacerbated by the IRS's delay in producing a plan that details how it intends to spend the new funds. Treasury Secretary Janet Yellen last summer directed the IRS to deliver an implementation plan by February 17, but the agency missed that deadline and Treasury officials have said only that they expect to see the plan "in the coming weeks."

[URL: https://www.congress.gov/117/plaws/publ169/PLAW-117publ169.pdf](https://www.congress.gov/117/plaws/publ169/PLAW-117publ169.pdf)

Finance Committee ranking member Mike Crapo, R-Idaho, encapsulated the GOP's position in a written statement submitted for the executive session. (Crapo was unable to attend the executive session and portions of his statement were read by Sen. John Cornyn, R-Texas, who stepped in as acting ranking member.)

Specifically, Crapo criticized the Inflation Reduction Act for authorizing an "unprecedented spending bonanza" for the IRS without setting "meaningful conditions or goals" for how the newly authorized funds could be used, and he slammed the IRS for missing Secretary Yellen's deadline for submitting an implementation plan while still "spending its billions without any apparent limit."

"This 'spend first, plan later' approach is not transparent or responsible, and is a surefire recipe for error, waste, and mismanagement," the statement said.

Finance Committee Republican John Thune of South Dakota expressed similar reservations in comments during a press conference on February 28.

"I cannot in good conscience support [Werfel] as long as there is \$80 billion in unaccounted-for funding out there. And so, that's a nonstarter for me. And I guess I hope that the administration will come forward with [the implementation] plan, but I'm not holding my breath about it," Thune said.

It's worth noting that Republicans on the House Ways and Means Committee also have raised objections to the new IRS funding and its implementation and intend to make the issue a focus of their oversight efforts in the 118th Congress. (See separate coverage in this issue for details.) One of the first bills the new House Republican majority passed in early January would rescind the additional funding, though that measure is not expected to be considered in the Senate. (For prior coverage, see *Tax News & Views*, Vol. 24, No. 2, Jan. 13, 2023.)

[URL: https://dhub.blob.core.windows.net/dhub/Newsletters/Tax/2023/TNV/230113\\_1.html](https://dhub.blob.core.windows.net/dhub/Newsletters/Tax/2023/TNV/230113_1.html)

## **Wyden weighs in**

For his part, Finance Committee Chairman Ron Wyden, D-Ore., praised Werfel during the executive session as "a rule follower" who will "do this job consistent with the law" and "work with both sides of this committee."

Wyden also emphasized that the new Inflation Reduction Act funding for IRS enforcement programs is intended to give the agency the resources it needs to investigate sophisticated tax-avoidance strategies employed by certain large corporations, partnerships, and ultrawealthy individuals—something Wyden says will ultimately make the tax system fairer for small businesses and less affluent taxpayers.

“After a decade of Republican budget cuts, there is a clear double standard in tax enforcement. It got a lot easier for rich scofflaws to get away with cheating scot free. That means the burden shifted onto the little guy—people without accountants and lawyers looking out for them,” Wyden said. “I was pleased to hear Mr. Werfel talk [during his confirmation hearing] about the need to address this issue, rebalance the system to make it more fair, and go after the tax cheating by the wealthy and big corporations.”

But Wyden agreed with his GOP colleagues that the IRS must complete and disclose its plan for spending the new resources.

“Both sides of this committee are looking forward to seeing it, and it’s important for the American people to see it. Everybody understands how important it is to get this right, including Mr. Werfel,” he said.

### **Next steps**

A Senate floor vote on Werfel’s confirmation had not been scheduled as of press time. If confirmed, Werfel will serve a term that expires on November 12, 2027.

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