

**Opening Statement of Chairman Sheldon Whitehouse**  
**Senate Committee on the Budget**  
**“Fairness and Fiscal Responsibility: Cracking Down on Wealthy Tax Cheats”**  
**November 8, 2023**

Today’s hearing is entitled “Fairness and Fiscal Responsibility: Cracking Down on Wealthy Tax Cheats.”

Most Americans follow the law and pay their taxes on time and in full.

Many of the very wealthiest Americans, however, play by their own rules. Empowered by a tax code that is rigged in their favor, they rob the public weal of revenue and leave everyone else to foot the bill. Today, we will hear how the super-wealthy account for a large and disproportionate share of tax evasion, and cost the American people perhaps hundreds of billions every year.

Despite rampant tax evasion by the wealthy and large corporations, years of budget cuts hobbled the IRS doing its job. Cuts shrank the audit rate for millionaires by 80 percent. For the largest corporations, the audit rate shrank by half.

In the last year of the Trump administration, people with incomes under \$20,000 who claimed the Earned Income Tax Credit were twice as likely to be audited as someone making over \$1 million. Tax amnesty for the rich; tax enforcement for the poor.

This made no sense, and was undemocratic and morally and fiscally wrong, so last year Democrats provided an additional \$80 billion of funding to the IRS over ten years. Rhode Island’s taxpayer advocate has already seen her casework speed up as this funding dissolved logjams at the agency. The IRS can at last pursue complex audits of the ultra-wealthy and giant corporations. And it’s good for revenue: CBO estimated that our \$80 billion would result in \$180 billion in additional revenue, a hundred-billion-dollar increase.

Yet, just two weeks ago, House MAGA Republicans turned their Israel funding supplemental into a scheme to reward wealthy political donors by slashing funding for tax enforcement. Of all the people they could have chosen to single out for special treatment, they chose wealthy tax cheats. That tells you a lot about their priorities.

The nonpartisan Congressional Budget Office showed last week this wouldn’t offset the Israel spending, it would *double* the cost, adding an additional \$12.5 billion to the deficit.

This shouldn’t be hard. Everyone should follow the law and pay what they owe. But they don’t. The tax gap—the difference between taxes owed and taxes collected—was \$688 billion in 2021. That’s nearly half the size of last year’s deficit.

And that number doesn’t fully count offshore tax evasion, schemes involving webs of shell companies, evasion by big corporations, and other techniques of cheating. One study found that the IRS estimate misses \$160 billion in annual tax evasion just by the top 1

percent; even Trump IRS Commissioner Rettig said the gap could be as high as \$1 trillion annually. Dr. Natasha Sarin, one of our witnesses today, estimates that the top 1 percent account for 30 percent of unpaid taxes.

You heard that right: one percent of the population; thirty percent of the cheating. It should come as no surprise, then, that auditing the wealthy delivers the biggest bang for the enforcement buck. As a famous bank robber once said, it's because that's where the money is. Dr. Nathan Hendren co-authored a recent study that found a dollar spent auditing the wealthy generates \$12 in revenue. For those at the very top—the top 0.1 percent—it may be as high as \$36. \$36 dollars in revenue for every \$1 spent on enforcement. That signals a lot of cheating, and suggests that our IRA enforcement funding may reduce the deficit more than CBO originally estimated—\$500 billion more over the next decade, according to Dr. Hendren.

Let's be clear: the president has directed that the new funding *will not* be used to increase audits on anyone making less than \$400,000. But if you're a multi-millionaire hiding money in foreign bank accounts, or a multinational giant cheating through a web of tax haven subsidiaries, your tax amnesty might be over.

Regular taxpayers will see a fairer tax system and better customer service. IRS phone service during filing season is up to nearly 90 percent. Last year, it was just 17 percent. Wait times are down to just over 3 minutes. The National Taxpayer Advocate called the difference between this year and last year like “night and day.”

On the enforcement side, the IRS has already collected \$160 million from multi-millionaires who the IRS knew owe at least \$250,000. One individual had to pay \$15 million after falsely deducting personal expenses as business expenses, including a 51,000 square-foot mansion, fancy cars, artwork, and homes for his kids. Some business expenses — but without enforcement, he'd get away with it. And he's not alone: an investigation by Chairman Wyden found nearly 1,000 taxpayers with incomes over \$1 million that haven't even bothered to file their taxes.

Fully funding IRS enforcement is both fair and fiscally responsible. If you care about debt and deficits, you should want a well-funded, well-functioning IRS.