



Opening Statement of Chairman Sam Graves
House Committee on Small Business
Hearing: *"The Internal Revenue Service and Small Businesses: Ensuring Fair Treatment"*
July 17, 2013

Good afternoon. I call this hearing to order.

Under the House Rules, one of the responsibilities of this Committee is the study and investigation of the problems of all types of small businesses, including those concerning tax issues. Today we are carrying out that duty, and we are pleased to have the Acting Commissioner of the Internal Revenue Service, Mr. Werfel, here with us.

Small businesses are vital to job creation and innovation in the U.S. economy, accounting for over 60 percent of net new private sector jobs. At the same time, these businesses have fewer resources than large firms to deal with an increasingly complex maze of tax laws and regulations.

Over the past few years, the IRS has increased the number of small businesses that it audits. This has been explained as a way for the IRS to close the "tax gap;" that is, the difference between what the IRS believes is owed and what taxpayers pay voluntarily and on time. We certainly support taxpayers paying what is due, and most small business owners do pay their taxes. As the IRS Taxpayer Advocate has recommended, Congress should vastly simplify the tax code to increase tax compliance.

In May, the Inspector General for Tax Administration issued a report that found the IRS had used inappropriate criteria to target certain conservative organizations that sought non-profit status. Since that time, Congressional investigations have raised additional questions about the IRS's improper targeting, and whether the IRS may have also improperly targeted the tax returns of small businesses for added scrutiny or audit.

We must ensure that all taxpayers, including small businesses, are treated fairly. In May, I sent a letter to Mr. Werfel requesting information about how the IRS selects and classifies small business taxpayers for closer review and audit, the number of small businesses it audits, and the cost, duration and yield from those audits. Who decides which small businesses are selected? How is the criteria developed? When does it change? Last evening, after a month delay, I did receive a letter providing responses to some of my questions. We hope to learn more answers today.

As elected representatives, we must make sure that our government is accountable, and restore the American people's faith in their leaders.

Now I yield to Ranking Member Velázquez for her opening statement.