

Congress of the United States  
House of Representatives  
Washington, DC 20515-2202

June 17, 2013

Mr. Daniel Werfel  
Principal Deputy Commissioner  
Deputy Commissioner for Services and Enforcement  
Internal Revenue Service  
1111 Constitution Ave, N.W.  
Washington D.C. 20224

Dear Principal Deputy Commissioner Werfel:

We respectfully ask you to review auditing policies related to the Adoption Tax Credit. In light of recent revelations of abuses of authority by IRS officials, we believe the Taxpayer Advocate Service's (TAS) 2012 Annual Report to Congress merits close attention. The TAS report highlights evidence that the IRS mishandled the adoption tax credit.

Hopeful parents who are willing to suffer through the arduous adoption process are some of our country's most caring citizens. The IRS has a clear responsibility to make the process as smooth as possible. Yet, this year's TAS report came to the conclusion that the "compliance strategy for the expanded adoption credit has significantly and unnecessarily harmed vulnerable taxpayers, has increased costs for the IRS, and does not bode well for future credit administration."

The TAS has good reasons for making this claim. Sixty-nine percent of adoption tax credits were audited in 2012 and, of these, over 55 percent resulted in no change to the adoptive family's refund check. In fact, the IRS audits resulting in disallowing only 1.5 percent of adoption credit claims. The TAS report makes a number of substantive recommendations, some of which were previously made by the Government Accountability Office.

Accordingly, in November 2011 the GAO reported that "Reducing the number of adoption tax credit audits would allow IRS to do more correspondence audits of other returns where the chance of assessing additional tax would be greater." The GAO report further stated that, "IRS officials also told us that they had not found any fraudulent adoption tax credit claims, and there had been no referrals of adoption tax credit claims to its Criminal Investigation unit."

The nature of this credit does present special problems for the IRS. After the Affordable Care Act, the credits increased from a nonrefundable \$10,000 to a \$13,160 refundable credit for 2010 and 2011. However, these difficulties hardly seem to account for the IRS's decision to pull major resources from other areas in order to audit adoptive parents.

The TAS and the GAO both noted that the "adoption credit claims represent less than one-tenth of one percent of all individual returns for the 2011 filing season. By comparison, the IRS spent approximately 3.5 percent of its staff days on initial review and correspondence audit of adoption credit claims." To extrapolate from these figures, the IRS expended over 35 times the attention on adoptive parents when compared to other tax filers.

Each and every child deserves a permanent, loving home. Congress's intention in expanding the credit was to make it more attractive to lower and middle class Americans who often lack the resources to easily navigate the complex tax code and filing procedures. In at least two ways, IRS procedures inhibited congressional intent. First, the IRS refused to provide even sample documentation to tax preparers, even though the GAO concluded that because of the wide range of documents required of parents, doing so would not substantially increase fraud. Second, over a third of the claims flagged for further review were flagged for income related reasons. As the TAS notes, the "IRS still chose to create an income-based filter that flags the returns of the exact taxpayers the credit was designed to assist."

We need to continue to encourage, not discourage, prospective adoptive parents. These reports imply that the IRS failed to implement the credits in a way that complied with congressional intent or with the urgent financial needs of adoptive parents. We request that you hasten to reform IRS procedures in light of the 2012 TAS report

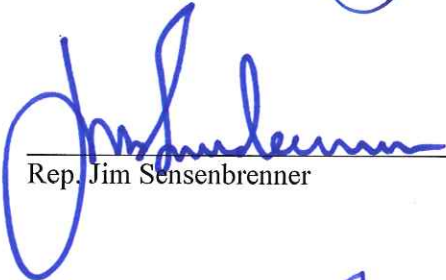
Sincerely,



Rep. Bill Huizenga



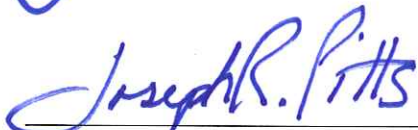
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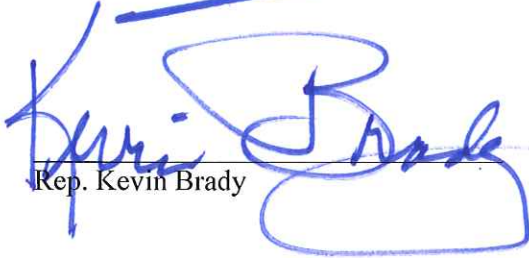
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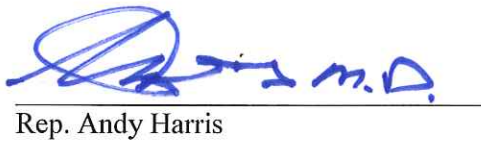
  
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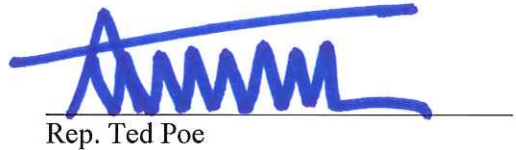
  
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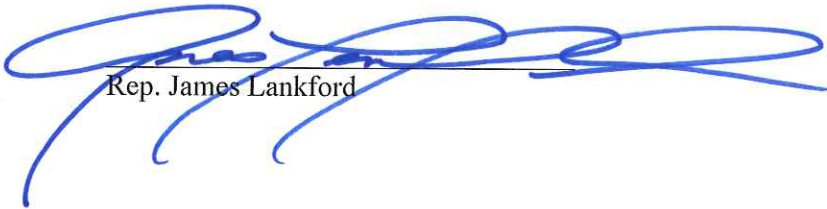
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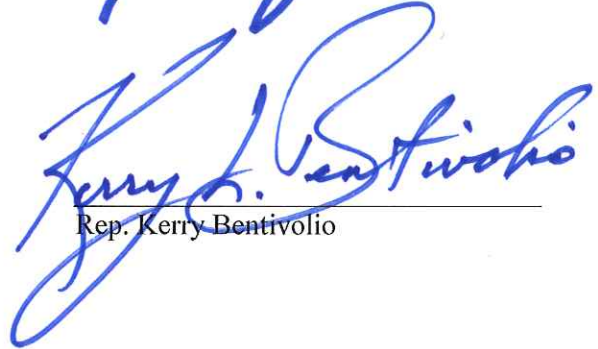
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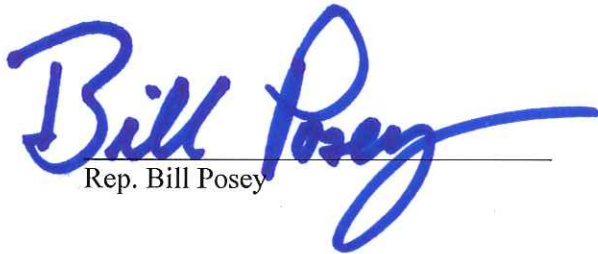
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