

Chairman Doug Ose
Opening Statement

What is the Bush Administration's Economic Growth Plan Component for Paperwork Reduction?
April 20, 2004

This is the Subcommittee's sixth annual April hearing to assess progress in paperwork reduction. Last week, Americans, who prepared and filed their tax returns, experienced first hand the kind of burdensome paperwork that the government imposes.

In February, the Fiscal Year 2005 Budget of the U.S. Government outlined the President's Six-Point Economic Growth Plan. Point #4 is "[s]tremlining regulations and reporting requirements." The Internal Revenue Service (IRS) imposes over 80 percent of all paperwork burden levied on the public. Thus, IRS compliance simplification should be the Administration's paramount paperwork reduction priority. Today, the Subcommittee will examine the Bush Administration's Economic Growth Plan component for paperwork reduction, especially for IRS paperwork reduction.

The Office of Management and Budget (OMB) estimates the Federal paperwork burden on the public at over 8 billion hours. In its June 1993 final first-year task force report for the Small Business Paperwork Relief Act, OMB estimated that the price tag for all paperwork imposed on the public is \$320 billion a year - a huge amount.

In 1980, Congress passed the Paperwork Reduction Act (PRA) and established an Office of Information and Regulatory Affairs (OIRA) in OMB. By law, OIRA's principal responsibility is paperwork reduction. In 1995, Congress passed amendments to the PRA and set government-wide paperwork reduction goals of 10 or 5 percent per year during the Fiscal Year (FY) 1996 to 2001 period. After annual increases in paperwork, instead of decreases, Congress attached paperwork riders to the FY 1999 and FY 2001 Treasury-Postal Appropriations Acts. In addition, the House Report for the FY 2003 Treasury-Postal Appropriations Act included an instruction for OMB to focus on IRS paperwork.

In 1983, after issuance of President Reagan's 1981 Executive Order 12291, which initiated OMB review of agency regulatory proposals, OMB signed a Memorandum of Agreement with the Treasury Department relating to its regulatory reviews. Nothing therein or subsequently limited OMB's statutory responsibility for review and approval of each IRS paperwork requirement.

As evident by its actions, paperwork reduction is of great concern to Congress, especially for tax and regulatory paperwork. Nonetheless, the General Accounting Office (GAO) will report today that paperwork burden has increased, not decreased, in each of the last eight years. GAO differentiates between substantive program changes in paperwork (such as a reduction from quarterly to annual reporting) and adjustments (such as a re-estimate of the time it takes to complete a form). For adjustments, the public experiences no relief whatsoever.

Last month, at OMB's annual House Appropriations Subcommittee hearing, Members of Congress emphasized to OMB Director Josh Bolten that mere reduction in the rate of growth of regulatory burden is insufficient. They emphasized that OMB must instead do more to examine

and reduce the base of existing regulatory and paperwork burden.

Under the PRA, OMB is the watchdog for paperwork. However, the evidence points to OMB's continued failure to focus on paperwork reduction. OMB has not pushed the IRS and other Federal agencies to cut existing paperwork. IRS itself has had a dismal record in accomplishing paperwork reduction. Last May, IRS promised to identify all paperwork thresholds within the Commissioner's discretion to adjust. I look forward to discussing the results of IRS's analysis.

Today, we will learn if the President's Six-Point Economic Growth Plan can be realized by specific paperwork reduction efforts identified by OMB and the IRS.

I want to welcome our witnesses today. They include: OMB's OIRA Administrator John D. Graham; IRS Commissioner and former OMB Deputy Director for Management Mark W. Everson; Patricia A. Dalton, Director, Strategic Issues, GAO; Daniel Clifton, Federal Affairs Manager, Americans for Tax Reform; Paul Hense, President, Paul A. Hense CPA, P.C., on behalf of the National Small Business Association; and, Raymond J. Keating, Chief Economist, Small Business Survival Committee.