Recent IRS Actions Are Part of a Pattern, Says Huntsman Professor William F. Shughart II

By Steve Eaton

Professor William F. Shughart II, of the Huntsman School of Business, said the recently reported IRS action of auditing non-profit groups based on their political leanings is not new, but rather it is part of a historical pattern in which the federal agency’s practices have been influenced by political considerations.

In fact, Dr. Shughart co-authored a related 2001 study that was published in the peer-reviewed scholarly journal *Economics & Politics*; the study found that individual tax returns were statistically less likely to be audited if the taxpayer's Congress member sat on a committee overseeing the IRS or if the taxpayer lived in a jurisdiction important to the incumbent U.S. president or to his political party.

Dr. Shughart, who is the J. Fish Smith Professor in Public Choice, outlined his findings in a column published recently in *Investor's Business Daily*. The op-ed, based on Dr. Shughart's co-authored work with Michael Reksulak of Georgia Southern University and Marilyn Young of Lipscomb University, summarized information obtained from the IRS itself, containing details about audits of individual tax returns from 1992 to 1997. The dataset did not include taxpayers’ names or any other personal information about them.

Dr. Shughart said that President Franklin D. Roosevelt used the IRS to try to silence critics of his “New Deal” and that President Richard Nixon was famous for bringing his “enemies list” to the attention of the IRS—the IRS “microscopically” examined the tax returns of those who were on that list. Dr. Shughart also said that President John F. Kennedy launched an IRS program known as the “Ideological Organizations Project,” which was used to investigate right-wing groups.
Dr. Shughart said that it is not uncommon for members of Congress to exercise their political influence by directly contacting leaders of federal agencies to lobby on behalf of constituents or other special interest groups. He said Representatives and Senators who sit on congressional committees with budget controls and authority to confirm presidential appointees to senior positions in the federal bureaucracy can wield effective political influence, especially when doing so may advance their own political careers.

“If you are a member of one of those committees and you know, in part, that your re-election prospects depend upon how your constituents are treated by federal bureaucrats and you start getting complaints from some of your campaign contributors that the IRS is putting its heavy hand on them, you just get on the telephone,” he said. “You call the director of the IRS and say, ‘Lay off. What are you doing?’ And that happens all the time with telephone and postal communication from Capitol Hill to the bureaus.”

Dr. Shughart said that the study he and his co-authors completed also showed that audit rates were “substantially lower in so-called battleground states” where presidential elections are close. The study found that “the IRS is not a rogue government agency, but rather is an effective bureaucratic agent of its political sponsors.”

IRS officials have said the recent patterns of audits that have been revealed were the result of decisions made by lower-level workers in Cincinnati. On June 6, The Wall Street Journal, however, reported that two IRS employees told congressional investigators that IRS officials in Washington, D.C., helped direct the probe of so-called Tea Party and Patriot groups that began in 2010.

“Although the investigation of the latest IRS scandal is still ongoing,” Dr. Shughart writes, “it would be stunning to find that the agency’s administrators and bureaucratic functionaries acted on their own.”

Dr. Shughart maintains that such abuses will likely continue.

Dr. Shughart wrote in his op-ed, “No one, other than the most naïve observer of American politics, should be shocked to find that the IRS, like all bureaucracies, is susceptible to political manipulation. It’s happened before and will probably happen again.”