

FUND IRS AND FIX A BROKEN BUDGET PROCESS

CURRENT FUNDING PREVENTS IRS FROM ACHIEVING ITS MISSION: CUSTOMER SERVICE & ENFORCEMENT

- IRS' mission is to "provide America's taxpayers top quality service by helping them understand and meet their tax responsibilities and enforce the law with integrity and fairness to all."ⁱ As a result of steeply declining budgets, however, the agency's ability to fulfill this mission has significantly eroded in recent years.
- Over the last decade, Congress has invested in tax administration—from returns processing, data management, to audit, and collection, to technology operation, maintenance, and development—at levels that have forced difficult and we believe harmful decisions from IRS leadership.
- In inflation-adjusted dollars, the IRS budget has declined more than 15 percent in the last decade alone, from almost \$14 billion in 2010 to \$11.5 billion in 2017.ⁱⁱ
- Staffing at every level of the agency reflects this decline. For instance, overall staffing has receded from almost 115,000 employees in 1988 to fewer than 77,000 in 2017—approximately a one-third reduction.ⁱⁱⁱ
- Exam, collection, and appeals have not been protected from significant reductions: since 2010 IRS has lost over 14,000 enforcement employees—more than a quarter of its enforcement staff.^{iv}
- This precipitous resource decline has "rendered the IRS unable to provide acceptable levels of taxpayer service, unable to upgrade its technology..., and unable to maintain compliance programs that both promote compliance and protect taxpayer rights."^v

Enrolled agents have seen first-hand the practical effects of this lack of resources. Phone times have increased. Walk-in centers have closed. Taxpayers and their representatives have a harder time dealing with correspondence audits and appeals wait times have ballooned. The local stakeholder liaison personnel have shrunk. More experienced IRS personnel are leaving every day, while new hires are not receiving adequate training and mentoring. Meanwhile, billions of taxes are going uncollected.

BUDGET REFORMS ARE ESSENTIAL FOR A WELL-FUNCTIONING IRS

- Re-establish an annual joint Congressional hearing, charged with providing a detailed Congressional statement on levels of service and compliance, as well as oversight of: strategic and business plans; taxpayer service and compliance; technology and modernization; and filing season.
- Authorize the Joint Committee on Taxation, in cooperation with the Congressional Budget Office, to provide an annual report on the Joint Hearing issues and estimates on the funding necessary to carry out these priorities.
- Make IRS user fees appealable to GAO. The agency must be able to provide clear, detailed costing estimates to those who are charged user fees and must not charge user fees for services that largely improve the organization's own operations.
- Provide funding necessary to meet mutually agreed upon levels of service and compliance, or in the alternative, explain to the American people why these funding levels were not provided. Special funding attention should be provided to timeliness and efficiency, for instance:
 - Require an IRS decision within 30 days of a taxpayer response to an IRS notice or letter;
 - Provide compliance staff greater authority to settle cases early (When evaluating settlements, IRS should focus primarily on early and fair resolution of disputes); or
 - Provide appropriate staffing at the points of significant taxpayer contact (such as all call centers and TAC counters) and training at all levels.

And finally, because IRS collects over 95 percent of the federal government's revenues, Congress should consider providing the agency a two-year budget in order to ensure the smooth administration of the tax collection system.

ⁱ Internal Revenue Service. "The Agency, its Mission, and Statutory Authority." Available at: <https://www.irs.gov/about-irs/the-agency-its-mission-and-statutory-authority>.

ⁱⁱ Emily Horton. "2018 Funding Bill Falls Short for the IRS." *Center on Budget and Policy Priorities: (2018)*. Available at: <https://www.cbpp.org/blog/2018-funding-bill-falls-short-for-the-irs>.

ⁱⁱⁱ Internal Revenue Service. "SOI Tax Stats: IRS Data Book." Available at: <https://www.irs.gov/statistics/soi-tax-stats-irs-data-book>

^{iv} Emily Horton. "2018 Funding Bill Falls Short for the IRS." *Center on Budget and Policy Priorities: (2018)*. Available at: <https://www.cbpp.org/blog/2018-funding-bill-falls-short-for-the-irs>.

^v National Taxpayer Advocate Annual Report to Congress, 2017, Preface.