



**Statement of Colleen M. Kelley
National President
National Treasury Employees Union**

On

“Internal Revenue Service Budget for FY 2012”

Submitted to

**Senate Appropriations Subcommittee on Financial Services
and General Government**

June 8, 2011

Chairman Durbin, Ranking Member Moran, and distinguished members of the Subcommittee, I would like to thank you for allowing me to provide comments on the Administration's FY 2012 budget request for the Internal Revenue Service (IRS). As President of the National Treasury Employees Union (NTEU), I have the honor of representing over 150,000 federal workers in 31 agencies, including the men and women at the IRS.

IRS FY 2012 Budget Request

Mr. Chairman, NTEU strongly supports the Administration's FY 2012 budget request of \$13.2 billion for the IRS, a 9 percent increase of \$1.1 billion over the current FY 2010 enacted level. We believe that the President's request will allow the IRS to continue helping taxpayers meet their tax obligations, improve enforcement of the tax law and generate much needed revenue for the federal government.

We are particularly pleased the Administration's budget request would provide critical increases for Service enforcement and taxpayer service activities, and would allow the IRS to continue rebuilding its workforce which remains well below mid 1990 levels.

As in previous years, NTEU also supports the budget recommendations proposed by the IRS Oversight Board which have generally called for additional funding above that requested by the Administration. For FY 2012, the Oversight Board has recommended \$13.5 billion in funding for the IRS. We would be inclined to support providing additional funding for the IRS above the Administration's request and look forward to reviewing the details of the Board's recommendation.

Taxpayer Services

Providing quality customer service to the taxpayer is an important part of IRS efforts to help the taxpaying public understand their tax obligations while making it easier to participate in the tax system. Through a variety of channels, the IRS is able to provide year-round assistance to millions of taxpayers, including outreach and education programs, issuance of tax forms and publications, rulings and regulations, toll-free call centers, the IRS.gov web site, Taxpayer Assistance Centers (TACs), Volunteer Income Tax Assistance (VITA) sites, and Tax Counseling for the Elderly (TCE) sites. These efforts have enabled the IRS continue raising the standard of service to America's taxpayers and assisted in efforts to improve voluntary compliance.

In FY 2010, these efforts helped the IRS meet or exceed 83% of the Taxpayer Service performance targets. In addition, IRS taxpayer service activities were critical to its ability to deliver a successful 2010 filing season during which IRS employees processed more than 141 million individual returns and issued 109 million refunds, totaling \$366 billion and answered almost 36 million calls from taxpayers requesting information on new credits available to them. In addition, the IRS also provided in-person service at its 401 Taxpayer Assistance Centers (TACs) located around the country, for taxpayers to resolve tax issues and receive help to prepare their tax returns. In 2010, 6.4 million taxpayers visited a TAC, three percent more than in 2009. Walk-in service at TACs remains popular among elderly taxpayers, those with limited English and computer proficiency, and taxpayers without internet access.

In addition, during the 2010 filing season, IRS expanded hours of service at 16 geographically dispersed TACs, and seven were open every Saturday. In 27 locations, low-income taxpayers took advantage of IRS help in the preparation of both their state and federal tax returns. The IRS held Open House events at 200 TACs and partner sites nationwide to help taxpayers prepare their returns and resolve their tax issues. As a result, more than 31,400 taxpayers were served and over 7,700 returns were prepared at these events.

The delivery of a successful 2010 filing season by the IRS is all the more impressive as employees delivered these numbers while also being confronted by a variety of challenges presented by implementation of provisions in the American Reinvestment and Recovery Act of 2009, the Worker, Homeownership, and Business Assistance Act of 2009, and increased telephone demand for Economic Recovery Payment inquiries.

We were glad to see the Administration's request of \$2.3 billion for taxpayer services acknowledges the good service that IRS employees provided to taxpayers in FY 2010 while also recognizing that additional progress can be made. In particular, we strongly support the proposed additional funding to improve telephone level of service, improve the IRS website and provide a variety of new online services.

In FY 2012, the IRS plans to increase the telephone level of service by adding resources to meet the ever-increasing demand and continuing to make efficiency improvements such as automated self-service applications that allow taxpayers to obtain information on less complex issues such as refund inquiries. These improvements will free up staff to deal with the more complex tax law issues stemming from the passage of new legislation. In addition, the IRS continues to study the effects of services it offers to taxpayers on the internet, at walk-in sites, and on its toll-free telephone lines as well as exploring the relationships between taxpayer errors and unclear correspondence to aid in the development of new approaches to service.

NTEU strongly believes providing quality services to taxpayers is an important part of any overall strategy to improve compliance and that the President's request for taxpayer services will enable the IRS to deliver another successful filing season, improve the responsiveness and accuracy of taxpayer service, and support Service efforts to enhance taxpayer compliance.

Enforcement

Mr. Chairman, NTEU believes a strong enforcement program that respects taxpayer rights, and minimizes taxpayer burden, plays a critical role in IRS' efforts to enhance voluntary compliance, narrow the tax gap and reduce the deficit. In FY 2010, IRS enforcement efforts brought in almost \$58 billion in enforcement revenue, an 18% increase over FY 2009. In addition, other key IRS enforcement programs continued to show progress over FY 2009. These include a 6% increase in collection case closures, a 20% increase in Automated underreporter (AUR) contact closures, an 8% increase in large corporate audits and an 11 % increase in the number of individual return examinations.

That is why NTEU was happy to see the Administration's budget request would provide a \$462 million increase in funding for IRS tax enforcement above the current FY 2010 enacted level, including additional resources made available through a program integrity cap adjustment.

This increased funding will enable the IRS to continue strengthening current Service compliance programs designed to close the tax gap in several areas, including: increasing compliance by addressing offshore tax evasion through more examinations and full implementation of the Foreign Account Tax Compliance Act (FACTA); implementing information reporting requirements approved by Congress in 2008 to validate income reported by businesses by reconciling their income with their payment card receipts and third party transactions; and improving tax debt collection coverage and collection processes. The proposal will also allow IRS to continue to focus on compliance issues and new responsibilities arising from recent tax law changes included in major legislation, including the American Recovery and Reinvestment Act and the Affordable Care Act.

These investments in IRS enforcement programs are expected to generate \$1.3 billion in additional annual enforcement revenue, resulting in a return on investment (ROI) of 6.4 to 1, once new hires reach full potential in FY 2014. In addition, investment in new enforcement initiatives will also encourage voluntary compliance, further increasing revenue. According to the IRS, the deterrence value of these investments and other IRS enforcement programs on voluntary compliance is conservatively estimated to be at least three times the direct revenue impact.

NTEU strongly supports targeting additional resources to programs that would help close the tax gap, including new initiatives that deepen and broaden IRS' focus on international tax compliance of high net worth individuals and entities. The IRS has demonstrated that targeted compliance resources more than pay for themselves through increased revenues, which has motivated past Congresses to target additional funds to these enforcement activities. In addition to generating additional revenue for the federal government, reducing the tax gap will help strengthen public trust in the fairness of the tax system which will positively impact voluntary compliance with tax laws.

Physical Security

Mr. Chairman, as you know, last February, in what authorities believe was an intentional attack, a pilot crashed his small plane into a building housing almost 200 IRS employees in Austin, TX, killing one employee and seriously injuring several others. This brazen and cowardly attack, serves as a grim reminder of the great risk that the men and women of the IRS face each and every day in service of this country.

As one of the most public faces of the U.S. Government, the IRS and its employees often bear the brunt of anti-government rhetoric and threats. According to the Treasury Inspector General for Tax Administration (TIGTA) which is charged with investigating threats and assaults against IRS personnel, more than 1,200 threat and assault cases were referred to TIGTA for investigation between 2001 and 2008. The cases resulted in more than 167 indictments and at least 195 convictions.

That is why NTEU was happy to see that the Administration proposed \$15 million to enhance physical security for IRS employees. This includes \$10 million to expand guard serve at Taxpayer Assistance Centers (TACs) during filing season, \$1.5 million to improve security at IRS facilities around the country, and \$3.9 million to provide additional resources to identify and investigate individuals or entities whose anti-government or anti-tax rhetoric exhibit behavioral traits associated with domestic terrorism.

NTEU believes these critical investments will enhance the overall security of IRS employees in the work place, while maintaining open access for the taxpayers that they serve.

Contracting Out

Mr. Chairman, NTEU recognizes that in the current fiscal crisis, it is critical that the federal government look for ways to maximize its resources and to root out waste, fraud and abuse wherever they find it. One way in which NTEU believes that the federal government can best accomplish this is to reform the broken competitive sourcing process, and bring contracted work back in-house. By ensuring federal employees are able to compete for work with contractors on an even playing field, and identifying areas in which the government could perform this work more effectively and efficiently, the federal government will be better able to provide high quality services and will save taxpayer dollars. The Administration has already begun to reform federal contracting by requiring federal agencies to cut wasteful contract spending, reduce overreliance on contractors, and improve oversight and accountability. These efforts are expected to result in \$40 billion in annual savings by the end of 2011 which could be used to ensure agencies have the necessary resources and staffing.

In recent years, Congress has acknowledged the inherent flaws in the competitive sourcing process and has included language in year-end spending bills that prohibit the use of funds to begin new public-private Circular A-76 competitions for another year. NTEU strongly believes the current A-76 competition moratorium should be continued for another year until further steps are taken to reform the broken competitive sourcing process that has eroded the ability of agencies to perform many critical functions, and has led to contractors performing work that should be performed solely by federal employees.

In addition, we would strongly encourage Congress to continue the current prohibition on the use of funds for private collection agencies through FY 2012. The use of private collection agencies to collect tax debts has repeatedly been shown to be a waste of taxpayer dollars and lead to taxpayer abuse. The 2006 initiative resulted in widespread taxpayer abuse and a loss of almost \$5 million to the federal government, after subtracting program administration costs and commissions payable to the PCAs. While the IRS ended the private tax collection program in 2009, it still retains the statutory authority to revive the program in the future.

Conclusion

Mr. Chairman, thank you again for allowing NTEU to provide our thoughts on the Administration's FY 2012 budget request for the IRS. We strongly believe that by investing in demonstrably effective enforcement and taxpayer service programs, the Administration's request will allow IRS to provide taxpayers with top quality service, enhance voluntary compliance, narrow the tax gap and reduce the deficit.