U.S. House of Representatives
Committee on Ways & Means

Majority Staff Report

Doing Less With Less: IRS's Spending Decisions Harm Taxpayers

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During the 2015 tax-filing season, the IRS provided what its own Commissioner described as "abysmal" customer service, blaming skyrocketing wait times for telephone and in-person assistance on agency budget cuts. The IRS even called budget cuts "a tax cut for tax cheats." But a close review of the agency's spending shows the IRS deliberately cut $134 million in funding for customer service to pay for other activities. Spending decisions entirely under the IRS's control led to 16 million fewer taxpayers receiving IRS assistance this filling season. Other spending choices, including prioritizing employee bonuses and union activity on the taxpayer's dime, used up resources that otherwise could have been used to assist another 10 million taxpayers.

The IRS's spending choices and mismanagement of resources raise serious questions about the nature and extent of the agency's self-described budget crisis and its commitment to serving the taxpayer.

I. Background

In the last few years, the IRS has faced budget cuts. Congress made these cuts in part to lower unsustainably high federal spending, but also in response to waste and misconduct at the IRS. The IRS was spending nearly $50 million on extravagant conferences for its employees. One conference alone cost taxpayers $4.1 million.[1] In addition, the IRS spent millions of dollars on "training videos" that contained little or no educational content. One training video, parodying *Star Trek*, cost $60,000 to produce.[2] In total, the IRS estimated it spent $5 million per year on educational videos.[3]

Meanwhile, in May 2013, it was revealed that the IRS was targeting organizations applying for tax-exempt status solely because of their names and policy positions.[4] According to an audit conducted by the Treasury Inspector General for Tax Administration (TIGTA), targeted groups were subject to extraordinary delays and intrusive questioning, including wholly inappropriate demands for donor lists. An internal IRS document discovered in the course of the House Ways and Means Committee's investigation revealed that the IRS flagged groups for special scrutiny if their case files included any of the following: the name "tea party" or "patriot," references to issues such as "government debt or taxes," or criticism of "how the country is being run."[5]

As a result of the IRS's blatant misconduct, Congress significantly reduced the agency's budget. Since its funding peak in 2010, the IRS's budget has been cut by $1.2 billion. The intent of these cuts was to force the IRS to manage its resources more effectively and immediately stop inappropriate activities. House Financial Services and General Government Appropriations Subcommittee Chairman Ander Crenshaw told the IRS that Congress "deliberately lowered IRS funding to a level that will make the IRS think twice about what you're doing and why you're doing it."[6]

But the agency's response has been less than reassuring.

The IRS collects nearly $500 million in user fees each year that it can spend (and raise) without congressional approval, and the agency has broad flexibility to allocate that funding as it sees fit. Typically, a significant share of those user fees is dedicated to customer service activities. Yet, this year, the agency decided to make drastic cuts to taxpayer assistance. Instead of prioritizing customer service or boosting its enforcement budget, the IRS spent the bulk of its user-fee receipts on other priorities. As Commissioner John Koskinen announced to IRS employees in January 2015, the IRS is doing "less with less."[7] This, despite the fact that appropriations for assistance were constant from fiscal year 2014 to 2015.[8]

Commissioner Koskinen's announcement to employees specifically outlined the results of the IRS's budget allocations, noting that "the effect of these cuts will hurt taxpayers."[9] In response to questions about customer service at the IRS for the 2015 filing season, the commissioner said, "It's abysmal."[10] The commissioner has also called the budget cuts "a tax cut for tax cheats."[11] For fiscal year 2015, the IRS has said publicly it will conduct 46,000 fewer audits. Additionally, IRS enforcement agents in Dallas, Texas reported that they would not audit anyone who owed less than $1 million in taxes. According to the supervisory revenue officer for Dallas, if a person owed $900,000, "I have to say, sorry, we can't get that money."[12] These decisions will result in "at least $2 billion in revenue that otherwise would have been collected."[13] The reasoning behind these public announcements is hard to understand; it is like a sheriff announcing that anyone driving under 85 miles per hour would not be pulled over.

And while the IRS has been cutting services, it has continued to hand out bonuses, allow staff to conduct union activities on the taxpayer's dime, and failed to collect delinquent debt owed by federal employees. The agency has also refused to use its existing authority to use third-party debt collectors to increase revenue, even though it would recover billions of dollars for the agency. What the agency has done is spend over $1.2 billion on the President's health care law to date, with a planned expenditure this year of an additional $500 million.

The Committee on Ways and Means has identified numerous areas where the IRS could, with the stroke of a pen, save money, reduce waste, and improve customer service. In addition, the Committee has reviewed ACA spending's impact on the IRS's budget, which is diverting resources away from the agency's core mission. This report highlights areas of waste and inefficiency at the IRS, as well as the agency's repeated failure to use resources already available to execute its core mission.

II. IRS Deliberately Cut Spending for Customer Service

The IRS's congressionally allocated budget for taxpayer assistance remained flat from fiscal year 2014 to 2015. Nevertheless, the level of service, especially for over-the- phone customer service, decreased drastically. In January 2015, the IRS commissioner estimated that taxpayer service would decline while delays in tax refunds would increase.[14] While the IRS commissioner has blamed this solely on budget cuts, in reality the IRS deliberately diverted resources away from taxpayer services.

IRS's Allocation of Its User-Fee Account

The IRS assesses and collects user fees on requests for letter rulings, opinion letters, determination letters, and advisory letters, among other things under the jurisdiction of the agency.[15] The IRS has authority to allocate money from the user-fee account as the agency sees fit.[16] In response to budget cuts, the amount of user fees reallocated to other IRS spending accounts has increased from $310 million in 2011 to $481 in fiscal year 2015. Historically, the user-fee account has primarily supported taxpayer services. In fiscal year 2014, the IRS spent $183 million in user fees on taxpayer services, 44 percent of the user-fee account. In fiscal year 2015, however, the IRS plans to spend only $49 million on taxpayer services, or 10 percent of the user-fee account. **This decision amounts to a 73 percent reduction in user fees allocated to customer service, and a 6 percent decrease in total funding for taxpayer assistance.**

The chart below illustrates the IRS's allocation of user fees:

User-Fee Allocation by IRS Account, Fiscal Year 2011 – 2016 (Dollars in Millions)

	Fiscal year					
Appropriation account	**2011**	**2012**	**2013**	**2014**	**2015 (planned)**	**2016 (estimated)**
Taxpayer Services	$129	$174	$190	$183	$49	$56
Operations Support	79	132	183	218	411	379
Business-Systems Modernization	89	-	-	-	-	-
Enforcement	13	20	20	15	21	16
Total	$310	$326	$394	$416	$481	$451

Source: President's budget from fiscal year 2013 through 2016 and IRS data.

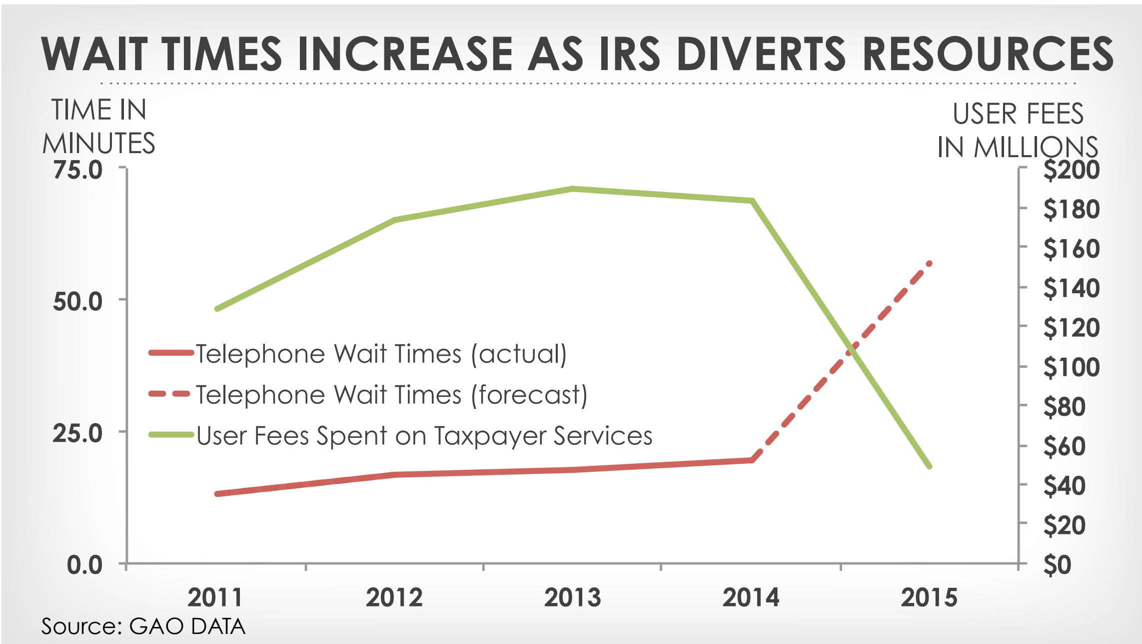
Shift from Telephone Assistance to Correspondence

The agency also shifted staff in customer service to focus on answering written correspondence instead of telephone calls, even though the amount of calls the IRS received almost doubled from 2014 to 2015. According to the Government Accountability Office (GAO), this decision contributed to the decline in level of service, and leaves taxpayers with "little choice but to send correspondence to the IRS or visit a walk-in site, potentially increasing IRS's costs."[17]

As of the first week of February 2015, the total number of calls the IRS received, including busy and disconnected calls, was 11.6 million, an increase of 300,000 calls from the same time in 2014.[18] The increase was due in part to questions about the ACA, which led to 214,000 calls as of mid-February 2015.[19] The IRS estimated that for filing season 2015, it would receive 48.8 million calls seeking live assistance, but only answer 16.8 million. This would leave 32 million taxpayer calls unanswered.[20]

At the same time the amount of calls was increasing, telephone level of service—that is, the percentage of callers who received assistance—steeply decreased from 64 percent to 48.6 percent. Wait times increased from 18.7 minutes to 34.4 minutes, and the amount of calls that were actually answered decreased from 6.6 million to 5.3 million, a decrease of 1.3 million taxpayer calls.[21]

By April 8, 2015, the IRS estimated the share of callers who received assistance was below 40 percent.[22] IRS also reported that the number of "courtesy disconnects"—when the call system automatically hangs up on the caller at the beginning of the call because the wait time would be too long—was 5 million as of April 7, 2015.[23] As the following graphic demonstrates, based on GAO data, there is a direct correlation between wait time and the amount of user fees dedicated to taxpayer services.



III. IRS Is Neglecting $200 Million in Available Resources

The IRS and the National Treasury Employees Union (NTEU), which represents IRS employees, have sought to raise awareness of IRS budget cuts in recent years. But the agency has done little to take advantage of many areas where it could increase its operational resources by better allocating funding or increasing revenues. Unfortunately, the agency continues to refuse to manage its resources more effectively or take advantage of existing authority. The Committee has identified several ways the IRS could not only improve its effectiveness, but also increase its operational budget.

Performance Bonuses for Employees

Despite budget cuts and revelations of misconduct, the IRS continues to give its employees billions of dollars in performance awards. This is in direct violation of guidance from the Office of Management and Budget (OMB). In response to the Budget Control Act, OMB issued memoranda recommending greater scrutiny of bonuses awarded in fiscal year 2013 and that no bonuses should be given to employees unless required by law.[24] Additional guidance from OMB issued in 2014 prohibited any bonuses in excess of 1 percent for non-Senior Executive Service employees.[25]

In July 2013, the then-acting commissioner of the IRS, Daniel Werfel, wrote to Congress, "It is my intent that no awards be paid to any IRS employee for performance in 2013 due to the current sequestration reductions."[26] The decision would have saved the IRS $70 million and eliminated two furlough days the agency had planned for fiscal year 2013. In response to Mr. Werfel's announcement, NTEU filed a national grievance to require bonuses of 1.75 percent.[27] In September 2013, a third-party mediator upheld the IRS's decision to cancel bonuses. An arbitrator was set to resolve the grievance in spring 2014.[28]

Although the agency was winning the dispute with NTEU, Commissioner Koskinen decided to reinstate bonuses only weeks after he was appointed as head of the IRS. For fiscal year 2013, the IRS paid out $62.5 million in bonuses.[29] After the bonuses were awarded, TIGTA released a report showing that in previous years, the IRS paid out more than $2.8 million in bonuses to employees with "recent substantiated conduct issues resulting in disciplinary action."[30]

In November 2014, despite another round of budget cuts at the IRS, Commissioner Koskinen announced that employees would also receive bonuses for fiscal year 2014, at the same level as fiscal year 2013. The only change was that, unlike in past years, employees with substantiated conduct issues would not be eligible for bonuses. As a result, the total cost of the bonuses was slightly less than that for fiscal year 2013. **The decision still cost taxpayers another $60 million, at a time when the IRS did not yet know what its budget would be for fiscal year 2015.[31]**

Union Activity

Despite the IRS's fiscal constraints, the IRS has continued to allow employees to spend hundreds of thousands of hours conducting union activities while at work. Under the Civil Service Reform Act of 1978, federal employees may, subject to union-agency agreement, engage in certain union activities while being paid by taxpayers for their time. In April 2013, the Committee wrote to the IRS after the agency announced it planned to furlough employees for five to seven days, while allowing employees to attend union conferences on the taxpayer's dime. The Committee requested the amount of time and money spent on union time.[32]

In response, the IRS reported that employees used 521,725 hours for union activity in fiscal year 2013, which accounted for an estimated $23.5 million in salary and benefits expenses. In fiscal year 2014, the IRS recorded 491,948 hours of union time, and another $23.5 million in salary and benefits expenses. In that same fiscal year, there were 36 IRS agents who devoted 50 percent or more of their time at work to union activities instead of performing official duties. For the first quarter of fiscal year 2015, the IRS reported 113,294 hours of union time.

In September 2014, the Committee again asked the IRS about union time after uncovering a 2011 email during its investigation of the IRS improperly targeting applicants for exempt status. The email, from Lois Lerner to colleagues, illustrated the extent that union activity detracts from employee responsibilities. In it, Lerner noted that she "learned that [an] employee who is assigned to a special project has spent most of the last year doing nothing and reporting to her manager and on timesheets that she has been working on the project full time."[33] Lerner then added that "we can't do anything" about the employee, and though other colleagues advised firing the employee, Lerner only lowered the employee's performance rating in order to avoid conflict with NTEU.[34]

Since 2011, the IRS has cut the amount of official time hours by 16.7 percent. This reduction in union time raises questions about why the IRS has not decreased it even further. Based on best available data, about 88 percent of union time is spent on "general labor management relations,"[35] which is activity not required by law and therefore subject to negotiation with the agency. Eliminating discretionary time could save the IRS $20.7 million per year, and free up employees to offer assistance to taxpayers.[36] To give a sense of how much capacity is lost to union activity, the average time that an IRS employee spends with a taxpayer seeking assistance by telephone is 13 minutes.[37] Even if the average call time were rounded up to 15 minutes to allow for recordkeeping responsibilities, **the amount of resources spent on discretionary union activity could have assisted nearly 2.5 million taxpayers.**

<u>Third-Party Debt Collection</u>

The IRS has the authority to hire third-party private debt-collection agencies to help recover taxes owed to the government. In 2004, Congress created the Private Debt Collection program as part of the American Jobs Creation Act.[38] The law not only enabled the IRS to use third-party debt collectors, but allowed the IRS to keep up to 25 percent of the funds recovered to complement the agency's enforcement budget. The debt collectors could also receive up to 25 percent, and the remaining 50 percent would be returned to the Department of the Treasury.

At the time the law was passed, the IRS had an inventory of $120 billion in known unpaid taxes estimated to have collection potential, and the inventory was continuing to grow 3 to 4 percent each year.[39] In response to the growing amount of delinquent tax debt, Congress—at the recommendation of the Department of the Treasury—authorized the IRS to use private debt collectors for simple cases. This would not only allow the IRS to collect more debt, but it would free up the IRS collection staff to work on more complex cases.[40] It was also projected to result in significant revenue for both the federal government and the IRS.

In September 2006, the IRS implemented a pilot program using private debt collectors. The pilot was conducted for two and a half years and focused on debt that the IRS was not previously pursuing because it was considered "low priority." Low-priority cases included debts with small-dollar amounts, old debt, and cases where the IRS could not establish contact or locate the debtors. In the two and a half years of the program, the IRS collected $98.2 million in revenue that otherwise would not have been recovered from these low-priority categories.

Despite the program's success, the IRS chose to terminate it in 2009. The IRS based its decision on a flawed cost-effectiveness study conducted by the agency and released in

March 2009. The study compared private debt collectors to the IRS's in-house Automated Collection System (ACS), and concluded that the cost per dollar of collecting debt was cheaper through ACS. According to the IRS, the cost per dollar was $0.07 for ACS, and $0.24 for private debt collectors. However, this comparison is misleading because the IRS had not been trying to collect that debt prior to the pilot. In addition, when the IRS measured taxpayer satisfaction, the private debt collectors received a higher rating than the IRS, 96 percent to 92 percent respectively.[41]

GAO raised red flags with both the IRS's study and its decision to cancel the program. In September 2010, GAO reported that the IRS's study "was not soundly designed to support its decision on whether to continue contracting out debt collection." In addition, though "the study was not originally intended or designed as primary support for the decision [to cancel the program], IRS officials nonetheless used it as such."[42] Senator Charles Grassley, a supporter of the debt-collection program, concluded that the IRS "cooked the books to get the result it wanted."[43]

TIGTA also criticized the IRS's cancellation of the private debt-collection program. In a 2011 review, TIGTA concluded:

> It is clear that the Federal Government benefited from PCAs [private collection agencies] working these lower priority cases. Although IRS management believes its employees are more cost effective than the PCAs at collecting the outstanding balances on these accounts, this point is only valid if the IRS uses its resources to work these cases. . . . However . . . our audit results show that the IRS has been unable to work many of these cases.[44]

Despite TIGTA's and GAO's conclusions, the IRS has refused to revisit the use of private debt collectors.

In February 2014, the Committee on Ways and Means, under then-Chairman David Camp, released a discussion draft of comprehensive tax-reform legislation. The draft included a provision that would *require* the IRS to contract with third-party debt collectors, unlike the 2004 law that only gave the IRS the option to contract with them. The Joint Committee on Taxation estimated the provision would increase revenues by $4.4 billion over ten years. Of that, up to $1.1 billion would go to the debt collectors, and $2.2 billion would be returned to the Treasury. The IRS would be able to keep $1.1 billion for enforcement activities, or $110 million per year.[45] **In other words, if the IRS used its existing authority to contract with private debt collectors it could increase its own enforcement budget by more than $100 million every year.**

IV. ACA Implementation Is a Significant Burden on IRS Budget

In April 2015, IRS Commissioner Koskinen pronounced the IRS's implementation of the ACA a success, saying, "The system has worked flawlessly."[46] However, **the IRS achieved this supposed success by prioritizing ACA implementation over other activities, including core responsibilities like taxpayer assistance.**

To date, the IRS has spent over $1.2 billion on implementation of the ACA. In fiscal year 2014, the IRS spent $386.6 million on the ACA, including $12.1 million from the taxpayer-services account and $185.7 million from its user-fee account (as mentioned above, historically the user-fee account has been used primarily for taxpayer assistance). In fiscal year 2015, which began October 1, 2014, the IRS plans to spend a total of $533 million, increasing total spending on the ACA to nearly $1.7 billion.

In addition, the IRS increased the number of full-time-equivalent (FTE) employees dedicated to ACA from approximately 30 in fiscal year 2010 to over 1,200 in fiscal year 2015,[47] despite a hiring freeze during this period that reduced the agency's workforce by 13,000 FTEs.[48] ACA implementation also strained the IRS's information-technology budget—in fiscal year 2014, the IRS spent $345 million on an ACA IT system. This was more than any other major IT investment in fiscal year 2014 except the IRS's main frames and servers account, which supports the entire agency's operating systems.[49]

V. Waste and Inefficiencies within the IRS

The IRS estimates that, because of budget cuts, it will fail to collect at least $2 billion in revenue that would otherwise be collected.[50] But the supposed link between budget cuts and IRS efficiency is not clear. The agency has failed to pursue dozens of recommendations from TIGTA, GAO, and the National Taxpayer Advocate that could streamline operations and reduce waste, fraud, and abuse. There are large areas of systemic waste and inefficiency at the IRS that were present in 2010, at the height of the IRS's funding, and remain unaddressed in 2015.

<u>Improper Payments within IRS Administered Programs</u>
The Earned Income Tax Credit (EITC) has the highest level of improper payments of any federal program, nearly double the rate of the next highest program. In fiscal year 2014, the EITC improper payment rate was over 27 percent, more than a quarter of the entire program. By comparison, the next-highest program had an improper payment rate of 15.3 percent, and the Medicare Fee-for-Service (FFS) program's rate was 12.7 percent. By dollar amount, the IRS paid out $17.7 billion in improper EITC payments in fiscal year 2014, which is more than any other program in government except Medicare FFS.[51] The dollar amount of improper payments within EITC is roughly the same amount mismanaged by the Medicaid program, which is four times larger.[52]

The rate of improper payments within EITC has remained consistently high regardless of the IRS's funding rate. In fact, when IRS funding was at its highest in 2010, the improper payment rate was 26.3 percent, roughly the same as it is today:

Reporting Year	IRS Budget (in billions)	EITC Error Rate	Improper Payments (in billions)
FY 2010	$12.2	26.3%	$16.9
FY 2011	$12.1	23.5%	$15.2
FY 2012	$11.8	22.7%	$12.6
FY 2013	$11.2	24%	$14.5
FY 2014	$11.3	27%	$17.7

Source: PaymentAccuracy.gov; IRS.

Despite the amount of improper payments within EITC, the IRS has not taken steps to improve the program's accuracy. In 2014, TIGTA reported that existing compliance processes would not reduce the billions of dollars in improper EITC payments. The report also criticized the IRS for failing to measure improper payments within the Additional Child Tax Credit (ACTC). For years, TIGTA has found through its own assessments that the ACTC is also at high risk for improper payments. TIGTA believes that the improper payment rate within ACTC is similar to EITC, or 25.2 to 30.5 percent for fiscal year 2013, with "potential ACTC improper payments totaling between $5.9 billion and $7.1 billion."[53] However, the IRS refuses to reexamine ACTC payment accuracy and continues to rate the risk of improper payments as low.

Unnecessary Spending on Outside Counsel

The IRS has a legal division staffed with attorneys who are experts on tax law. The Department of Justice (DOJ) also has attorneys who specialize in tax law and litigation. Not only are these lawyers fully capable of conducting litigation, but their salaries have already been paid by taxpayer dollars. Despite this, in 2014 the IRS hired an expensive, white-shoe law-firm, Quinn Emanuel, to help the IRS in its review of Microsoft.[54] Quinn Emanuel specializes in litigation and does not have expertise in tax law, but its partners typically charge more than $1,000 per hour.[55] The IRS's decision to hire outside counsel instead of utilizing IRS and DOJ attorneys cost taxpayers $2.1 million.

Additionally, hiring Quinn Emanuel may violate Section 6103 of the Internal Revenue Code, which prohibits the sharing of confidential taxpayer return information. When the IRS hired Quinn Emanuel, it issued a temporary regulation to allow the law firm to see taxpayer return information and to take compelled testimony – in other words, interrogate Microsoft employees.[56]

The IRS justified its regulation based on Section 6103(n) of the Internal Revenue Code, which states that the agency may issue regulations allowing the IRS to disclose taxpayer return information for purposes such as the "storage, transmission, and reproduction" of taxpayer information, the "programming, maintenance, repair, testing, and procurement of equipment," and the "providing of other services, for purposes of tax administration."[57] In statute, "other services" must be read to be of like kind; litigation services are inherently different than the other services enumerated by the statute. **Not only did the IRS spend $2.1 million on litigation services the government could easily have performed itself, but it may have violated Section 6103 and improperly shared confidential taxpayer information.**

Unsuccessful Information-Technology Investments

The IRS spends billions of dollars on IT every year. In fiscal year 2014, it spent $2.4 billion, or 21 percent of its total budget, on IT. Despite the significant investment the IRS has made on IT, many of the agency's projects have been failures. The IRS frequently fails to meet planned deadlines and budgets in its IT projects, sometimes scrapping projects entirely even after spending and implementation have already begun. This costs taxpayers millions of dollars unnecessarily, fails to produce intended results, and perpetuates operational inefficiencies at the agency.

One example of the IRS's problematic track record on IT is the Return Review Program (RRP), a system that was supposed to save millions of dollars by improving the detection and prevention of fraud. But GAO reported that the RRP has already exceeded planned costs by $86.5 million and still hadn't reached the performance level it was supposed to have achieved by September 2012. In 2014, the IRS ran an RRP pilot program that protected $46.4 million taxpayer dollars from tax fraud. Despite this success, the IRS placed the RRP on a "strategic pause."[58] In addition, RRP was supposed to replace the IRS's Electronic Fraud Detection System (EFDS), a 19-year old system that the IRS itself has declared "too risky to maintain, upgrade, or operate beyond 2014."[59] The RRP is the second attempt to replace EFDS. Yet the IRS continues to rely heavily on the EFDS instead of switching to a new system, and is currently paying for both of them. In fiscal year 2014, the IRS spent $17.7 million on EFDS and another $48 million on RRP.[60]

The IRS has had difficulty with its newer IT projects as well. In 2009, the IRS began developing the Information Reporting and Document Matching system (IRDM) to store information from third-party vendors on merchant-payment cards and securities transactions. The IRDM is an essential part of reducing the tax gap, estimated to be $450 billion every year. Unfortunately, IRDM could not be deployed due to significant problems. TIGTA reported that after a year of the IRS's testing user acceptance, IRDM could not effectively identify underreported income.[61] TIGTA concluded that because of IRDM's failure, thousands of cases with underreported income were not processed, resulting in $54.9 million of unassessed taxes in 2011.[62]

Despite these failures, the IRS successfully implemented a comprehensive IT system to implement the ACA. To date, the IRS has spent $651 million on ACA IT, and estimated the projected life-cycle cost of the system at nearly $2 billion.[63]

Failure to Collect Delinquent Tax Debt from Federal Employees

Commissioner Koskinen has said that its budget cuts will limit enforcement activities and its ability to detect tax cheats, but the IRS has failed to collect taxes even when it already has all of the information needed to do so. Federal employees owe billions of dollars in delinquent tax debt. The IRS already knows the identity of the individuals, the amount they owe, and their contact information, yet it does not collect this debt. **At the end of fiscal year 2014, the IRS estimated total tax delinquency was 3.12 percent for federal employees, representing over $3.5 billion owed in taxes**.[64]

V. Conclusion

The IRS's spending decisions have real consequences for taxpayers. Wasteful spending and failure to prioritize taxpayer assistance led to millions of calls going unanswered for filing season 2015. The Committee on Ways and Means estimates that existing IRS resources could have been used to answer upwards of 25 million calls:

IRS Spending	Taxpayer Assistance
Bonuses, $60 million	7.2 million calls
Union time, $20.7 million	2.48 million calls
Outside law firm, $2.1 million	252,000 calls
User fees cuts, $134 million	16 million calls
Total	**25.9 million calls** (estimated)

Ways & Means Committee analysis of IRS and GAO data

These examples are not theoretical. The IRS has the power to use these resources to help taxpayers. Other areas of mismanagement, such as IT system failures, could save even more money.

The IRS's failures do not just mean longer wait times and frustrated taxpayers. Federal tax administration depends on voluntary compliance. As the IRS moves away from assisting taxpayers and prioritizes other issues, taxpayers are less able to comply with tax law. As the Taxpayer Advocate noted:

> As we walk away from the ability for taxpayers to talk to us and the ability to hear what taxpayers are saying, our actions look increasingly arbitrary and capricious . . . And that . . . is going to drive the compliance rate down because taxpayers will take every opportunity they can to not report income, to not engage with us. To not feel like they're part of a greater civic whole and that taxes play a role in government, and a legitimate role in government . . . the government is sending a message that, "We can't talk to you right now. We're busy."[65]

Prioritizing bonuses and user time while hiring outside counsel and cutting taxpayer assistance resources is unacceptable at a time when the IRS is hanging up on people as a "courtesy." Americans should expect excellence from their government, and doing "less with less" falls far short of that responsibility.

[1] TIGTA, "Review of the August 2010 Small Business/Self-Employed Division's Conference in Anaheim, California," May 31, 2013.
[2] IRS Letter to then-Chairman Camp, April 9, 2013.
[3] *Id.*
[4] TIGTA, "Inappropriate Criteria Were Used to Identify Tax-Exempt Applications for Review," May 14, 2013.
[5] IRSR0000002727. Attachment A.
[6] Rep. Crenshaw, Financial Services Appropriations Subcommittee Hearing on FY 2016 IRS Budget.
[7] Commissioner Koskinen, Open Letter to IRS Employees, Jan. 13, 2015.
[8] GAO, User Fees: Additional Guidance and Documentation Could Further Strengthen IRS's Biennial Review of Fees, Nov. 2011, at 11. ("IRS has permanent, indefinite authority to obligate and spend user fee collections. This authority allows the agency independence and flexibility in the use of these funds. IRS can obligate user fee collections for any activity for which it has an appropriation with OMB approval, and it can carry over any unexpended fee collections for use in subsequent years.")
[9] *Id.*
[10] Commissioner Koskinen, quoted in *Washington Post,* "A Standard Dejection in the IRS Help Line," April 7, 2015.
[11] Commissioner Koskinen, Prepared Remarks before the Urban-Brookings Tax Policy Center, April 8, 2015.
[12] Washington Post, "In Dallas, the IRS Says IT Can't Chase Tax Cheats Who Owe Less Than $1 million," April 8, 2015.
[13] *Id.*
[14] Commissioner Koskinen, Open Letter to IRS Employees, Jan. 13, 2015.
[15] IRS, "User Fee Program for Tax Exempt and Government Entities Division," Oct. 2014.
[16] See n. 7.
[17] GAO, Observations on IRS's Operations, Planning, and Resources, Feb. 27, 2015.
[18] *Id.*
[19] GAO, Interim Report prepared for the House Committee on Ways and Means.
[20] GAO, Interim Report prepared for the House Committee on Ways and Means.
[21] GAO, Observations on IRS's Operations, Planning, and Resources, Feb. 27, 2015.
[22] IRS Commissioner Koskinen, Prepared Remarks before the Urban-Brookings Tax Policy Center, April 8, 2015.
[23] Washington Post, "Standard Dejection in the IRS Help Line," April 7, 2015.
[24] OMB Memorandum M-13-05 and M-13-11.
[25] OMB Memorandum M-14-02.
[26] Acting Commissioner Werfel to Senator Grassley, July 29, 2013.
[27] Government Executive, "IRS Moves Forward With Plan to Cancel $70 Million in Employee Bonuses," September 20, 2013.
[28] *Id.*
[29] *The Hill,* "IRS, Employee Union Strike Deal on Bonuses," Feb. 3, 2014.
[30] TIGTA, The Awards Program Complied with Federal Regulations, But Some Employees with Tax and Conduct Issues Received Awards, March 21, 2014.
[31] *The Hill,* "IRS to Award New Round of Employee Bonuses," Nov. 24, 2014.
[32] Ways and Means Committee to IRS, April 18, 2013.
[33] Ways and Means Committee to IRS, Sept. 10, 2014.
[34] *Id.*
[35] OPM, Labor-Management Relations in the Executive Branch, October 2014. According to OPM data reported by agencies, in FY 2012 Department of the Treasury employees (primarily IRS employees) used 580,489 hours of union time. Of those, 12 percent of the hours were used for union activities specifically allowed in statute, while 88 percent were for general activities that were discretionary based on agreement between the IRS and NTEU.
[36] IRS to Ways and Means Committee Staff.

[37] GAO to Ways and Means Committee Staff.
[38] P.L. 108-357.
[39] GAO, Tax Debt Collection: IRS is Addressing Critical Success Factors for Contracting Out but Will Need to Study the Best Use of Resources, May 2004.
[40] *Id.*
[41] IRS, IRS Private Debt Collection, Cost Effectiveness Study, March 2009.
[42] GAO, Tax Debt Collection: IRS Could Improve Future Studies by Establishing Appropriate Guidance, Sept. 2010.
[43] Senator Charles Grassley Letter to IRS Commissioner John Koskinen, Sept. 26, 2013.
[44] TIGTA, Collection Actions Were Not Always Pursued on Cases Returned from the Private Debt Collection Program," Sept. 2011.
[45] Committee on Ways and Means, Tax Reform Act of 2014 Discussion Draft, Feb. 26, 2014.
[46] Commissioner Koskinen, Statement before the National Press Club, as quoted by *The Hill,* "IRS Declares Victory on Obamacare," April 12, 2015.
[47] GAO, Observations on IRS's Operations, Planning, and Resources.
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[49] GAO, IRS: Absorbing Budget Cuts Has Resulted in Significant Staffing Declines and Uneven Performance, April 21, 2014.
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