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IRS 2007 Budget Follows Agency Pattern of Selective Use of Data, Kelley Tells Oversight Board

Washington, D.C.—The head of the union representing Internal Revenue Service employees took the agency to task for inaccurately presenting anticipated costs and savings in its fiscal year 2007 budget request to provide justification for administration policy goals of reducing programs and service to taxpayers.

President Colleen M. Kelley of the National Treasury Employees Union (NTEU) also warned the public-private IRS Oversight Board that, if enacted, the proposed budget could mean the loss of 2,500 IRS jobs from a range of programs including customer service and enforcement.

In a budget submitted Monday to Congress the White House is seeking only a 1.4 percent increase in the IRS budget, to \$10.7 billion, far short of the \$11.8 billion the Oversight Board recommended.

The budget proposal, Kelley said, seeks cuts of about \$188 million in what the IRS calls ‘pre-filing taxpayer assistance and education’ and anticipates new user fees to offset most of the cuts. While the budget declines to specify where those cuts would come from, Kelley warned that they are likely cuts to taxpayer assistance. “Yet in the same breath,” Kelley said, “the agency insists service to taxpayers will continue at the same levels. The numbers simply don’t add up.” Meanwhile, new user fees must be first approved by Congress.

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This budget follows a pattern of skewed numbers at the IRS. Last year, the agency misrepresented numbers to justify its efforts to shut down 68 Taxpayer Assistance Centers (TACs). NTEU led the fight against the closings, voicing serious questions about IRS claims that their data showed a decline in TAC usage. NTEU's concerns were echoed by Taxpayer Advocate Nina Olson, who explained in a report to Congress in May 2005 that the IRS data are skewed since the agency has been steadily cutting back on the services offered at the centers and the agency only accounted for those taxpayers who made it through the doors, and not those left waiting in lines.

Congress responded by prohibiting the IRS from moving forward with service cutbacks until the Treasury Inspector General for Tax Administration (TIGTA) completes a study of the impact to taxpayer compliance of any cuts to customer service.

The IRS can hardly afford any cuts to frontline employees when it has already decreased the frontline workforce by more than five percent since 2000, the NTEU leader said, while increasing by one percent the number of managers who supervise the employees.

In addition to her comments to the Oversight Board, Kelley also noted that those frontline employees are highly effective. The NTEU leader pointed to new data showing that IRS employees are among the most efficient of all revenue agencies at collecting taxes. The analysis published by *Tax Notes* shows what NTEU has been saying all along—that IRS employees are exceptionally cost-efficient in collecting taxes; the data puts that cost at little more than half-a-cent per dollar. Kelley said that stands in sharp contrast to the 25 cents-per-dollar rate the IRS will pay private sector debt collectors. The agency is planning on launching that initiative later this month with the awarding of contracts to private sector debt collection firms. NTEU, Kelley said, will be closely scrutinizing that effort.

NTEU is the largest independent federal union, representing some 150,000 employees in 30 agencies and departments, including 94,000 in the IRS.

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