

September 3, 2006

MEMORANDUM

TO: IRS Chapter Presidents

RE: Meeting with Secretary Paulson

I met with Secretary Henry Paulson last week and used that opportunity to raise the following issues:

- Private Collection Agencies (PCAs)—I highlighted the fact that it is not cost-effective for taxpayers to have this work done by anyone other than IRS employees. The problem, of course, is that the IRS needs resources and that there are not enough employees to do this work. I asked for his support for increased funding for the IRS, and made clear NTEU would continue our work to see that the IRS is fully funded. In addition, now that a separate funding stream has been established to pay these private collection agencies outside of the appropriations process, there is no reason that such a funding stream could not be created for the IRS to keep and reinvest some portion of the taxes collected by IRS personnel.
- Tax Gap—There is obviously a lot of attention to this issue from Congress. In fact, Senator Max Baucus has a hold on the nomination of the Deputy Secretary of the Treasury, pending receipt of a report he has requested from Treasury and the IRS on a plan to close the tax gap. Again, this is all tied to resources and the need for more funding for the IRS to hire employees who will do this work and, at the same time, close a tax gap.
- Submission Processing Ramp-down—With Brookhaven and Memphis sites already closed, and Philadelphia and Andover on the schedule for the next few years, experience makes it clear that thousands of employees will lose their jobs as a result of these ramp-downs. With a commitment of training, many of these employees could do ACS work—the same work that would be done by private collection agencies. IRS retraining these employees so that there will be more IRS employees to do the ACS work would be a solution for employees and would have a positive impact on the tax gap.

- Estate and Gift (E&G) Tax—I noted NTEU’s disagreement with the IRS’s plan to eliminate half of the E&G workforce, and the specific problem associated with attorneys who have “excepted service” designation, rather than “competitive service” designation. I asked that Treasury support a legislative change that would provide “competitive service” designation to E&G attorneys to provide them the opportunity to move into other IRS jobs and to use their experience and knowledge of tax law in another position with the IRS.

Obviously, woven through all these is the overriding issue of appropriate funding and staffing levels for the IRS so that the IRS and IRS employees can do the work that America’s taxpayers expect of them.

Secretary Paulson had been briefed on most of these issues so we were able to have a good conversation about NTEU’s interest in working with the department to solve these problems, and I asked for Treasury’s support to work with us on these. Of course, most of them are tied to the budget and as we await the final budget for ’07, what we know is that there will not be enough funding provided. The budget constraints mentioned by the Secretary, of course, all need to be weighed against the bigger picture of revenue that is generated by the IRS when they are appropriately staffed, and the impact all that could have on the tax gap for our country and funding all other agencies and programs.

I appreciated the opportunity to meet with the Secretary so early in his tenure and expect to meet with him in the future on an as needed basis. As I told him, the four issues I raised were “the short list.” Secretary Paulson’s background as a successful businessman will, hopefully, lead to more funding for the IRS, and to get staffing levels where they need to be so the IRS can do the work that taxpayers expect IRS employees, and only IRS employees, to do.

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National President