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NTEU Urges New Methods to Increase IRS Enforcement, Service Budgets

Washington, D.C.—The leader of the union representing Internal Revenue Service (IRS) employees today welcomed the suggestion by a key senator that congressional budget-setting procedures should be “looked at” for their potential negative impact on the IRS’s budget for both enforcement of the tax laws and crucial customer service.

The suggestion was offered today by Sen. Judd Gregg (R-NH), chairman of the Senate Budget Committee, at a hearing to examine ways to address the more than \$345 billion gap between federal taxes owed and taxes paid.

Under the intricacies of the congressional budget process, there is no recognition that dollars spent on IRS enforcement produce large net increases in revenue receipts to the government, said President Colleen M. Kelley of the National Treasury Employees Union (NTEU). “I look forward to working with Sen. Gregg and others in Congress to ensure that the IRS has adequate resources for both enforcement and customer service. These are two sides of the same coin when it comes to reducing the tax gap.”

Changes in the budgeting procedure, along with allowing the IRS to retain a portion of the money it collects, would strongly bolster enforcement, and thus tax law compliance, Kelley said.

The union leader offered her assessment after a morning hearing of the Budget Committee looking into the nation’s growing tax gap. IRS Commissioner Mark Everson testified, as did Comptroller General David Walker and Nina Olson, the IRS’s National Taxpayer Advocate. Everson and Walker both suggested that simplification of the tax code would play a major role in boosting taxpayer compliance.

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Kelley noted that the administration's fiscal 2007 budget proposal "trumpets in several places the increased tax collections produced by the IRS over the last several years, yet that proposal does not build on this success by requesting additional funds for these successful IRS collection efforts."

In fact, the NTEU leader added, the IRS budget proposal for fiscal 2007 calls for a cut of \$84 million and more than 2,000 positions from taxpayer service and enforcement programs.

Olson pointed out the impact of the tax gap. Each year, Americans who voluntarily comply with tax laws wind up paying what amounts to a \$2,200 surcharge on their federal taxes to make up for those who underreport their income or otherwise fail to pay their taxes either at all or on a timely basis.

What's more, Olson—who has criticized IRS efforts to cut back customer service—said the agency is hamstrung in its efforts to make good decisions about customer service because it "doesn't measure" its impact.

Olson said it is important for the agency to continue hiring both enforcement and customer service employees, and to provide them with the training they need, in order to keep them "in the pipeline" to reach the point where they can perform an increasing number of complex audits, which likely would generate more revenue.

While the matter of privatizing tax debt collections was not addressed in the hearing, President Kelley said that canceling the IRS plan to hire private debt collectors would be one good way to boost revenue. IRS employees can collect \$100 in taxes for little more than 50 cents, she said; the agency plans to pay the private firms a bounty of up to 25 percent of the money they collect.

Commissioner Everson emphasized the need to "reinvigorate the IRS," simplify the nation's tax structure and increase third-party reporting of income—but he added that these additional reporting requirements should be "not too onerous" on business.

He urged Congress to let the IRS "be free to spend funds wisely." That drew a response from Ranking Member Kent Conrad (D-ND), who underscored the agency's customer service problems by telling of the difficulty some taxpayers in his state's capital, Bismarck, have reported in their efforts to obtain IRS forms.

NTEU is the largest independent federal union, representing some 150,000 employees in 30 agencies and departments, including 90,000 in the IRS.